

A Convention of Clarification

American Bankers 49th Annual. Domestic Affairs the Dominant Note. One of the Finest Gatherings in the Association's History. New Lights on Social and Economic Problems. Forum Re-emphasized Financiers' Attitude on Reserve System.

ONE of the primary purposes of a convention is to clarify thought. Another is to crystallize ideas as a preliminary necessary to constructive action. This year's convention of the American Bankers Association, devoted to national problems in economics, should be remembered as a conference of marked value in its clarifying affect on public opinion.

The delegates in attendance were fortunate in having the opportunity to listen to speakers who in every instance made actual contributions to public thought and whose utterances cannot fail to have a beneficial affect in shaping, molding and guiding public opinion. No two conventions of the Association can be compared with any degree of accuracy or usefulness because in a progressive and a changing business world each addresses itself toward a somewhat different set of problems and each, by reason of many shifting circumstances, is dealing with a new set of conditions, and, after all, it is only as things of this nature are seen in perspective that their true values become apparent; but notwithstanding all that, it is safe even now to declare that the 1923 convention was one of the finest in the history of the Association.

Two things were outstanding in each of the three sessions of the general Convention and in the meetings of the Divisions—an attendance which filled, if not overflowed, the auditoriums, and an audience not only interested but intent upon the business of the hour, an audience quick to react to the vital points made by each speaker—quick to see the unassailable truth of such utterances as those of President Puelicher, who in the course of his annual address said:

"The capitalistic system has brought to all the people more comfort and greater leisure than has any other system thus far tried. Its higher evolution demands that, with the further development of the machine,

there must be given greater consideration to the development of the man. If we wish to preserve the good which this system brings to humanity, we must abolish in it whatever is bad and detrimental to progress, to happiness, to liberty. Those men who have courageously and honestly demanded that the evils of the capitalist system be corrected, should command our admiration and respect."

The audience was in accord with Dr. William A. Scott, who rendered a distinct public service in directing attention to the dangers of the popular practice of taking snap judgment and hasty action based on the factors we see, to the exclusion of the often more important factors that we do not see.

"The present population of the world," he said, "cannot be fed and clothed and housed by the primitive economic methods of our ancestors. We cannot all become farmers of the kind that flourished in the early days of the Republic—farmers who were economically self-sufficing, producing the food for their own families and the raw materials for their clothes, implements and buildings, manufacturing in their own households the necessities and such comforts of life as they enjoyed and building their own houses and the shelters for their animals. There are not farms enough to go round, and, even if there were, most of us would starve to death before we learned how to manipulate them."

Even men who are close to agriculture were impressed when Mr. Otis, Director of the Association's Agricultural Commission, told them that almost every effort of the American farmer has resulted in decreasing the fertility of the soil—that sometimes the apparent prosperity of the farmer has, after all, only been taken from the capital stock.

The audience was in accord also with Charles E. Mitchell, President of the National City Bank, when



Bankers on the Boardwalk at Atlantic City

he said: "We want enterprise relieved of some of the fearful penalties to which it is now subjected."

It was obvious, too, that Melvin A. Traylor, in his address voiced the convictions of all when he said:

"If national life is to survive and be happy, and it will, the homes of the city, the town, and the country must shelter in pleasure and comfort a contented people. This can only be done by capital investment that cannot be made, with rare exceptions, in one lump sum from accumulated savings."

One of the finest addresses of the Convention—delivered before the Clearing House Section—was by George E. Roberts, the economist, in which he revealed the fallacy of government ownership.

What is Government?

"THE government of a great country," he said, "seems to embody so much power that illusions about what it can do are quite natural; but a government is no wiser than the individuals who compose it. In the last analysis, the proposal that the Government shall exercise its authority in a given matter means that a given individual, or a few individuals, shall have that authority, for which they may or may not have suitable qualifications. The kind of ability that makes a man successful as a candidate for

office does not necessarily make a man successful as an administrator of business affairs."

The foregoing is of especial interest in connection with one sentence from an address by Francis H. Sisson in which, referring to Europe, he said:

"Unless some solution of the problem is reached in the reasonably near future, I am willing to predict that you will see revolution and political and economic chaos in Europe before a great many months go by."

A high point of the Convention was the address by Fred I. Kent, vice-president of the Bankers Trust Company, on European conditions, the fruit of many months of study abroad.

"Our duty to humanity," said Mr. Kent, "lies in bringing about this condition as quickly as possible in order that there may be as little suffering in the world before the restoration of trade as the existing situation will allow. One simple act that would be most helpful is to take our place upon the Reparations Commission officially. We should be represented upon this Commission by a man who can express his conviction with his vote. The economic and moral force of the United States is so well recognized by the Allies that if our representative had a vote there would inevitably be a desire on the part of the representatives of other nations on the Commission to work in

accord with us whenever they could do so legitimately, and we could maintain our position as being correct."

A Dramatic Scene

A PROFOUND impression was made by Hon. James M. Beck, Solicitor General of the United States, in the final stated address of the Convention on "A Rising or a Setting Sun," dealing with the Constitution of the nation and the circumstances under which it was framed; and there was a dramatic scene at the conclusion of the address. The audience, as is the custom, arose and applauded.

"Let us keep our feet," said President Puelicher. "Our Constitution, that standard to which the wise and just can repair, let us bow our heads and re-pledge ourselves to its purposes, rededicate ourselves to its support, re-arouse ourselves to its aggressive defense. Great God, make us wise that there may be kept to this people the protection of its Constitution!"

And finally there was clarification of great utility in the forum on the Federal Reserve System, for after all of the desultory criticism the forum revealed that bankers are practically of one mind in their determination to uphold and defend the Federal Reserve System as a necessary American institution.

Opening of the General Sessions

WITH President Puelicher occupying the chair the first of the general sessions was opened at Young's Pier at ten o'clock Tuesday morning, September 25. The proceedings were inaugurated with the singing of "America."

President Charles E. Mitchell of the National City Bank delivered the opening address, which, together with the other speeches, appears in another part of this issue. In response to the constructive and far-sighted opinions expressed by Mr. Mitchell the entire assemblage arose and applauded him as he concluded his words.

Vice-President Head then took the opportunity to compliment Mr. Puelicher on

his leadership of the organization for the past year and to express the appreciation of the members for his efforts, which have resulted in a better general understanding of the functions and ideals of the banking fraternity. The President's annual address delivered by Mr. Puelicher (printed elsewhere) was followed with intense interest by the great audience which filled the auditorium.

In voicing the approval of the gathering of the President's impressive address, Mr. Head expressed the wish that it might be broadcasted to every home in the country. This was followed by the report of Executive Manager Shepherd on the official acts and proceedings of the Executive Council.

Melvin A. Traylor, president of the First Trust & Savings Banks of Chicago, was introduced by Mr. Puelicher as one of the great bankers of the Middle West. His address, which was an analysis of present-day unrest and gloom of outlook, was regarded as sounding the keynote of constructive thought.

Stephen I. Miller, Jr., National Educational Director of the American Institute of Banking, followed Mr. Taylor with an address on "Education and Banking," his first appearance in this capacity at an A. B. A. Convention. Mr. Miller closely held the attention of the audience and was warmly congratulated upon its conclusion.



Bankers on the Boardwalk at Atlantic City

Second Session Includes the Election

THE high points of the second session of the General Convention were the election of officers in which Walter W. Head of the Omaha National Bank of Omaha, Neb., was made president; William E. Knox, president of the Bowery Savings Bank in New York City, vice-president, and Oscar Wells, president of the First National Bank of Birmingham, Alabama, second vice-president; addresses by William A. Scott, director of the School of Commerce of the University of Wisconsin, D. H. Otis, director of the Agricultural Commission of the American Bankers Association, and Fred I. Kent of the Bankers Trust Company of New York; and the adoption of resolutions placing the body on record as to its aims for the coming year.

Mr. Scott chose as his subject, "What We See and What We Don't See"; Mr. Otis, "Banker-Farmer Team Work," and Mr. Kent, "Across the Atlantic." These addresses are printed in full in another part of this issue.

Introducing Mr. Scott, President Puelicher referred to him as one of his own former instructors when he was studying in the American Institute of Banking twenty-one years ago. To Mr. Scott he ascribed much of his present business knowledge, gained in the five years under his direction.

IN introducing Mr. Otis, director of the A. B. A. Agricultural Commission, Mr. Puelicher characterized him as a man whose life had been spent close to the soil and whose intense and concrete studies of the problems affecting American farmers had led the American Bankers Association to select him as one of its representatives. So outstanding has been Mr. Otis's work, said President Puelicher, that when he called a meeting in Fargo, North Dakota, more than eight hundred farmers assembled to attend the words of one they believed understood the situation and could help them.

Following Mr. Otis's speech, William G. Edens, Chairman of the Nominating Committee, was given the floor. Mr. Edens, in behalf of his associates and himself, presented the name of Walter W. Head, president of the Omaha National Bank and the Omaha Trust Company, as President for the coming year. Regarding him Mr. Edens said: "From nominating speeches we learned that he is a native of the great State of Illinois, grew to man's estate and became a successful banker-farmer in Missouri and now hails from the great State of Nebraska."

The name of William E. Knox, president of the Bowery Savings Bank of New York and second vice-president for the past year,

was given as the nominee for vice-president. According to Mr. Edens, the sponsor of this candidate was modest in speech but generous in avoirdupois and the committee had received the impression that he was born in a savings bank on the lower end of Manhattan Island, but that the confidence reposed in him by his clients had recently enabled him to move his institution to a section where there was more space for it.

Continuing, Mr. Edens then nominated for the office of second vice-president Oscar Wells, whom he described as a "native of Missouri, successful banker in Texas and now president of the First National Bank of Birmingham, Alabama; nominated and seconded by every State represented; the closing nomination speech was by the illustrious Senator from Arizona who stated that he came from a State where naturally "his people wanted to share in these Wells." As chairman of the nominating committee, Mr. Edens then moved for the election of these candidates.

J. Elwood Cox, president of the Commercial National Bank of Highpoint, N. C., was chosen as Treasurer of the Association at a meeting of the new Executive Council. Executive Manager Shepherd, General Counsel Paton, and Secretary Fitzwillson were re-elected to their respective offices.

Third Session—President Head's Acceptance

PRESIDENT COOLIDGE sent the following message to the American Bankers Association Convention, and it was read at the opening of the third general session:

"I congratulate your Association on its strength and high standing and wish you prosperity and success."

There were two fine features characterizing the final session, the first among which was the address of Hon. James M. Beck, Solicitor-General of the United States, attention-commanding in its presentation and of great value as a public document for the proper guidance of public opinion. The other feature was the forum on the Federal Reserve System, in which the merits of the system were re-emphasized and suggestions were made for its improvement.

Both of these features are given separately in this issue of the Journal.

Following the debate President Puelicher announced that nine of the seventeen past presidents of the American Bankers Association were in attendance at the convention—Logan C. Murray, Frank O. Watts, William Livingston, Arthur Reynolds, Peter Gobel, Charles A. Hinsch, Robert F. Maddox, Richard S. Hawes and Thomas B. McAdams.

Messrs. Murray, Watts and Gobel were compelled to leave before the final session, but the other ex-presidents were present upon the platform.

The new officers were then installed. In installing Mr. Head as president, Mr. Puelicher said, "I ought to correct something that I stated yesterday. I called him the

coming Granger President of the American Bankers Association, and lo and behold! I discovered last night that he is the banker and his wife is the Granger."

In accepting the gavel, President Head said:

"We have listened to the addresses during the sessions of this convention with a great deal of interest.

"Grand and wonderful addresses they have been, to be sure. We do not come here only that we may listen to what is said, see what is done, go out of the building and forget about the things that took place here, only keeping in mind that at the end of another twelve months there will be another convention, at which time we shall all come together again in the belief that we will have a good time in meeting our friends,

in listening to addresses—but, on the other hand, if we are to profit as well from what has been said and done here, we will go out of this building and back to our respective communities in the belief that what we need during the interim between this convention and the one that will take place a year hence is action on the part of every single member of the American Bankers Association.

"No man, be he president, vice-president or what not, can successfully manage an institution of the character of the American Bankers Association—and, therefore, I shall avail myself of the opportunity of calling upon past-President Puelicher and all of these past presidents who stood here a while ago and upon the first and second vice-presidents of this association for their loyal support during the coming year. I shall not stop there. I am going to ask you here and now to pledge to me your full support during the coming year, that when I ask you to help perform the duties

of this great and gigantic organization and put into practice the things that we have determined upon here, that you will respond with a hearty 'yes'."

Mr. Head then called upon the past presidents, the first and second vice-presidents, the executive manager, the secretary, the presidents of divisions and chairmen of commissions and finally upon all the membership, to pledge their support of his administration. Continuing, he said:

"I could not and cannot refrain from referring to the very pleasant association I have had during the past year with Mr. Puelicher, who has served you so faithfully and so well. There was no time during the year that he did not put into this organization every bit of his energy, devoted practically all of his time and gave it the best thought of his entire life. The result speaks for itself. I feel that in going away from here we are leaving the best sessions that this Association has ever had. We owe to Mr. Puelicher a debt of

gratitude, and from my standpoint I want to say here and now that, if he wants to take back home with him this gavel that he might retain it in his family during the remainder of his service to this Association, he may do so, because he will render this Association a service as long as he lives. I might say that we are not going to lose his service, because he has agreed to accept again the chairmanship of the Committee on Public Education, and in that capacity will help carry on the work that he has been doing during the last year.

"I want to say to you, Mr. Puelicher, that I hand you back this gavel with a great deal more pleasure than you handed it to me. I hope that you will retain it, and that during the years to come it will be handed down by you to your children and by them to their children.

"In looking back over the years that have passed while you were in the service of the American Bankers Association, we must recognize the great service that you have rendered to us."

Presentation to Mr. Puelicher

THOMAS B. MC ADAMS, on behalf of the Association, presented to retiring President Puelicher a silver service. Mr. McAdams said:

"To awaken the banker to a clearer conception of his opportunities for leadership, to educate broadly that truth rather than prejudice may determine the actions of individuals and the policies of government, to stimulate the desire for generous service in behalf of the national welfare, to discourage movements for unsound legislation or administration, conceived in selfishness and advocated in the interest of organized minorities, to stimulate individual initiative and protest against governmental interference with the proper development of private enterprise, to develop in our people a grateful appreciation for the privileges of American citizenship, with the accompanying responsibility to protect unswerving and unspoiled those fundamental principles upon which our history is founded—to these practical problems the energy and the ability of the administration now drawing to a

close was devoted, with an earnestness and a fearlessness which commanded the admiration and respect of every American banker.

"To commemorate the vitality of your administration, Mr. Puelicher, and to remind you constantly that, in addition to our appreciation for duty well done, we have the privilege of knowing you for what you are—this token of our good-will is now presented. In your year of unselfish service in behalf of banking and the protection of the fundamentals of American society, the theories of an educator, the dreams of a poet, the soul of a musician, have enabled you to see truly great visions, with a practical viewpoint and experience of the trained banker combined with the character and fearlessness of real manhood, have privileged you to convert into far-seeing policy and definite action.

"Great achievements are necessarily based upon great motives. For the source of your inspiration we turn to the words of Kipling:

And only the Master shall praise us,
And only the Master shall blame,
And no one shall work for money,
And no one shall work for fame.
But each for the joy of the working,
And each in his separate star,
Shall draw the thing as he sees it,
For the God of Things as They Are.

"May the 'God of things as they are' ever guide and protect you in your years of further service for Him and humanity.

In response Mr. Puelicher said: "What can one say when the heart is full? My friends, we have been elected by this group to a membership in a fraternity, the novitiate of which takes just three years, 100 men in 100 years can become members of your group. We are usually elected at that time of life that when we enter we find relatively few remaining. I have appreciated my opportunity to serve my profession, my country, my kind and my God. I am indebted to you for a year, for which nothing that you could give me would I part with, and I now gladly become one of your group, one of the past presidents of the American Bankers Association."

Chicago Wants the Next Convention

ON behalf of the Chicago bankers Arthur Reynolds read the following telegram which was referred to the Executive Council for action.

"Since we are unable to reach them before their next meeting by letter, will you not kindly convey to the proper officials the following invitation: To the officers and members of the executive council of the American Bankers Association, Atlan-

tic City: On behalf of the banks of Chicago, members of the Chicago Clearing House Association, I have much pleasure in extending to you an invitation to designate Chicago as the place where you will hold the 1924 convention of your Association. Chicago is a city well equipped to take care of the delegates comfortably, and in the event of the acceptance of their invitation, the Chicago banks pledge you

their cooperation to make the meeting a success in every way. (Signed) George M. Reynolds, chairman, Chicago Clearing House Committee."

The Atlantic City Convention was the third largest in the history of the Association, having a registration of 4,473. The second largest was in Chicago in 1909, with a registration of 4,600, and the largest that of last year in New York with a registration of more than 11,500.



WALTER W. HEAD

President Omaha National Bank, Omaha, Neb., New President of the American Bankers Association

The Justification of Capitalism

By JOHN H. PUELICHER

Retiring President American Bankers' Association

Has Brought More Comfort and More Leisure than any Other System Thus Far Tried. Without Capital there Is No Credit and Without Credit there is the Primitiveness of Barbarity. To Preserve the Good We Must Abolish Whatever Is Bad.

THE world's equilibrium, so ruthlessly thrown out of balance, is slowly righting itself. Surely the ruinous passions of war are subsiding and the common-sense of peace is repairing war's devastation. Large parts of Europe, for four long years the camp of destroying hatreds, are yielding to nature's restoring demands. Men and nations are again at work. Production is supplanting destruction. The green of the field and the smoke of the factory are the peace offerings of industry to progress, to civilization.

Last May, speaking at a public meeting in Washington, Secretary of State Hughes said: "Today, notwithstanding the gravity of unsettled issues, we find throughout the world ample reason for encouragement in the earnest efforts to remove the economic evils following the great war, in the exhibition of enhanced industrial capacity, in the swift repair of damaged areas, in the extraordinary extent of recovery despite all difficulties. So great has been the progress that it is not too much to say that the whole aspect of affairs would instantly change if only means could be found to dispel the fear and apprehension which is the barrier to accord and to give a sound basis for the confidence which all desire." To dispel fear, to dispel apprehension, to restore confidence, to bring better understanding!

Progress Towards Recovery

THE crying need of both Europe and America, from the standpoint of humanity, is for better understanding; the spirit of man's brotherhood is expressing itself in attempts at better understanding, and where politics have failed, economic considerations are succeeding. The vagaries of the political dreamer, who would suspend the operation of economic law for Bolshevik-made law, are slowly finding their defeat. Industry and initiative are again assured recognition. Progress will live. The labor of men devoted to the readjustment of the world's economic balance are finding their reward.

Great economic conferences seeking a cool, unselfish judgment of affairs and an understanding vision of the world situation in its true relation to man's welfare, have given careful thought to many problems, to education, to trade, to industry, to transportation, to finance. The great March 1923 meeting of the International Chamber of Commerce at Rome, at which the American banker was responsibly represented, and at which an American banker—Willis

H. Booth, one of our own co-workers—was elected president of that influential and important body, cemented many roads to that better understanding. Thirty-six nations found their way to Rome. Thirty-six nations came under unifying influence at Rome. Thirty-six nations confirmed "the conviction that America has contributed to the world something very effective and very impressive in its peculiar social and political philosophy of individualism." Thirty-six nations, through their commercial organizations, proceeded to make effective those fundamental considerations agreed to at Rome. The gathering at Rome, statesmanlike in its deliberations, was the contribution of commerce to peace, to progress, to civilization. One of our number, Fred I. Kent, a vital factor at the Rome conference, continued his stay further to study conditions in Europe.

While the solution of many of Europe's most difficult problems is not yet apparent still many of the underlying influences which caused them have been corrected.

The so oft expressed world humanitarian interest of America, lately evidenced in her work among Europe's stricken peoples and again in the quick response to Japan's great need, should assure Europe, when ready, of America's definite, unselfish counsel and cooperation. It is certain that progress has been made toward a better understanding with the people of Europe.

Radical Activity in America

IN our own country there are many evidences of need of a better understanding. Socialism, Communism, Anarchism, Syndicalism, I.W.W.ism are seeking to make converts in their attacks upon the very foundations of our government, in their attacks upon the institutions which have made America a great democracy, affording more opportunities for success and happiness than anywhere else in the world. While at Rome was "confirmed the American social and political philosophy of individualism" as essential to progress and human welfare, at home its fruits are sought by those not willing to admit its advantages or share its responsibilities.

Although every human being hopes for ultimate success, although success is the goal of all, warfare against the successful is volubly raging. The dreamer, usually honest but usually impractical, the demagogue, never honest but often too practical, the professional reformer for personal profit, are all preaching the gospel of unrest, of class hatred, of disrespect for law

and order, of discontent with honest endeavor. Their stock in trade is appeal to the jealousy and cupidity of the less fortunate. Capitalism is to be destroyed. Individual initiative is to be throttled; its rewards confiscated. The lazy and the indolent hope to secure to themselves the earnings of the thrifty and the diligent. As in Russia, some would use force, others would through taxation "bleed capital white." To justify confiscation, in one form or another, the faults of capitalism are magnified, its virtues decried. The wealth-producing and opportunity-distributing qualities of the capitalistic system are traduced. The fact is ignored that ninety per cent of our luxuries, our comforts, our necessities would disappear with the destruction of credit and that credit is an attribute of the capitalistic system. Where there is no capital, there can be no credit, and where there is no credit, there is found the primitiveness of barbarity.

Value of the Capitalistic System

ONLY as industry is rewarded by the possession and use of its accumulations can it be hoped that accumulations or capital will be striven for and preserved. Without the aid of capital or the accumulations of yesterday, each day is a new beginning. The scientific appliances which have lessened human labor and which make enlarged production possible, are the result of yesterday's effort. Their fruits are felt in every home.

The mechanical aids to production encouraged under the capitalistic system have released human energy into a further multitude of inventions. Machinery has increasingly overcome the need and the hardship of manual labor, bringing increased opportunity, increased remuneration, increased possessions.

The wonderful progress and prosperity of America are due to the protection of the reward of individual initiative. The reward of individual initiative is the outstanding attribute of the capitalistic system. When Russia substituted Sovietism for individualism, only the generosity of the world saved her people from starvation.

So that the inspiration of individual reward may remain the heritage of our people, equality of opportunity must be maintained; equality of capacity is a biological impossibility. The first should be provided fully in accordance with each man's capabilities; the latter is a Utopia seeking to wipe out the inequalities imposed by nature. Man's greatest oppor-



JOHN H. PUELICHER

President of the Marshall & Ilsley Bank of Milwaukee, Retiring President of the American Bankers Association

tunity is in his innate fitness—"talents, to every man according to his several abilities."

The capitalistic system has brought to all the people more comfort and greater leisure than has any other system thus far tried. Its higher evolution demands that, with the further development of the machine, there must be given greater consideration to the development of the man. If we wish to preserve the good which this system brings to humanity, we must abolish in it whatever is bad and detrimental to progress, to happiness, to liberty. Those men who have courageously and honestly demanded that the evils of the capitalistic system be corrected, should command our admiration and respect.

Evils to Be Corrected

THERE should be no child labor. If it is impossible to restrict it legally, the moral force of the entire capitalistic system should protect child life and child opportunity. It begins with protecting womanhood and motherhood compelled to labor, and is intelligent self-interest, intelligent self-preservation.

There should be no seven day labor week. "Six days shalt thou labor and do all thy work; but the seventh day is the Sabbath—in it thou shalt not do any work."

There should be no unduly long hours of labor, undermining the health of workers, and even where this is not true, preventing them from having proper leisure for family life, for self-improvement, for recreation, and, so that America may be better understood, for the requirements of her citizenship. This is all the more necessary because of the monotony imposed by many of our modern labor-saving devices.

There should be no treacherous business cycle with its inflation or deflation, excessive wages or unemployment, "feast or famine." Industry should seek levels which would result in constant production, avoiding excesses which lead to suspension of operation, resulting in home-destroying unemployment.

Our Americanization efforts, meagre and too long postponed, have left vast multitudes of immigrants unfamiliar with American institutions, American ideals. The advantages of American political and economic life have been accepted by too many of our newly adopted citizens without understanding. Should future immigration be viewed from the standpoint of greater material wealth for the already wealthy America, or should America insist on a quality of citizenship that will conserve the character and integrity of her institutions?

Need of Better Understanding

ANY system of society can last only if its adherents promptly abolish evils as they develop. If this is not done from within, be assured it will be forced from without by those who will destroy with the evil all that is good. I repeat, in our own country there are many evidences of need of a better understanding.

"We are all blind until we see
That, in the human plan,
Nothing is worth the making if
It does not make the man.
Why build these cities glorious
If man unbuilded goes?
In vain we build the world unless
The builder also grows."

In our own profession there are many evidences of a need of better understanding. We, as bankers, recognize above all other people, the benefits which our country has derived from the Federal Reserve System. It has become a truism, that we could not have financed the war properly had it not been for the Federal Reserve System. Yet errors in detail are beginning to obscure in the minds of large numbers of our people the benefits which all have derived from this financial structure. The result has been that Congress has amended the Federal Reserve Act in ways which appear not to have improved it. The addition to the Federal Reserve Board of members representing distinctive interests sets a dangerous precedent. Representation on a body such as the Federal Reserve Board ought to be for the benefit of all the people. Representatives ought to be appointed on account of their qualifications and their technical training. There can be no objection to a farmer on the Federal Reserve Board, provided that the farmer understands the mechanism of finance and provided also that he will regard himself not as the advocate of measures which may prove of benefit to one industry of our people at the expense of others. The phrasing of the original act "commercial, industrial and geographical divisions of the country" was clearly intended to bring about proper consideration of all the people, but by injecting the word *interests* and adding two more classifications—financial and agricultural—the entire meaning of the sentence has undergone a radical change—a change from the general to the specific. If a change was desirable, the change should have instructed the President in selecting appointive members to have due regard to the best interests of all the people and of the geographical divisions of the country.

The Federal Reserve

THERE is great danger in tampering with the fundamental principles of the Federal Reserve System. There is also great danger in permitting its functions and purposes to remain misunderstood. The incidental weaknesses which have been developed in its administration can readily be corrected. The unfavorable public opinion which has been drawn down upon the System can be corrected only by an intelligent understanding on the part of both the banker and the layman of its beneficent and stabilizing purposes. If America wishes a continuance of this financial structure, if its charter is to be renewed, its fundamental principles must not be perverted and American public opinion must be brought to an understanding that this System was the result of the most painstaking study of the financial systems of the civilized world; to an understanding of the interdependence of the Federal Reserve System and American commercial life; and that unless intelligently supported, the present Federal Reserve Banks may follow the way of the First and Second Banks of the United States.

We have a responsibility also concerning public opinion regarding the gold standard. The economic existence of a nation is dependent upon its medium of exchange.

The degree of stability of that medium determines the degree of that nation's continued well-being and progress; and because so much of the superstructure of any economic condition is based upon the character of money used, there are those whose jeremiad bewails money as the root of all the maladjustments in any economic society. They, therefore, seek continuous experiments with it or its entire abolition.

The Gold Standard

HISTORY repeats itself and is doing so at the present time in the advocacy of fiat money, based on commodities, labor hours or land. It would seem that the disasters which printing huge quantities of paper money has brought to Russia and Germany would have served as a warning to those in this country desiring to overthrow the gold standard. It would seem that the confusion of minds in Russia would not have spread to this country. With our broader education it should be realized that money is a mere symbol of value, and generally speaking, not value itself. Hence the creation of money by government fiat does not, in any sense, increase wealth, and it is wealth which people need and desire and money only as it represents wealth. Wealth can be created only by production. Confusion in monetary standards can do more to hinder production and thereby check the increase of wealth than can almost any other method known to man. People will cease to produce unless they receive a safe return. Bankers advocate thrift. Thrift is a worthy endeavor in a country of stable currency, but a changing currency, as we have abundant evidence in past and present day history, "makes a mockery of thrift."

The gold standard is the result of evolution. The evolution has been going on through the whole history of civilization. There is no scheme that has been proposed in recent years which has not been tried, in some form or other, countless times before, always without success and always resulting in disaster to the nations or people conducting the experiment, usually also damaging their commerce with the rest of the world.

Variability in value is sometimes urged against gold as a basis for currency. Gold may some day find a successor more invariable as a measure of value. Since gold is a commodity it is subject to the law of supply and demand, and in conformity to this law there have been fluctuations in its value with the discovery of unusual quantities of gold. Nevertheless, these fluctuations have been so slight that experience has found nothing superior to it as a monetary standard, and there is no justification for trying that which has been tried and retried and found wanting. The record of failures covers the pages of history for our edification and guidance.

From the earliest history of barter to the present day, through the greatest unstabilizing experience of war ever known to humanity, the gold standard has maintained the greatest stability for the monetary unit.

With misapprehensions and misunderstandings in regard to the Federal Reserve System and the gold standard, both in-

strumentalities peculiarly in the bankers' field, with a general misunderstanding in regard to the economic complexities of modern life, what will be the bankers' contribution to peace, to progress, to civilization?

Economic Education

THE banker has made outstanding progress toward caring for education within his profession. The American Institute of Banking is a truly unique and effective school. In membership it is the largest university in the world. By chapter contact or by correspondence, its advantages have been open to both city and country banker. It is probably the only school which includes in its enrollment all grades of professional ability. It has been founded on the rock of greater service to those within the profession and through them to all of our people. It has advanced banking knowledge, banking purposes, banking ethics, banking ideals. Its purpose, announced in a widely broadcast resolution asking for advancement on merit only, supports fundamentally the philosophy of individualism which has made American progress possible. "We believe in the equitable cooperation of employees and employers and are opposed to all attempts to limit individual initiative and curtail production, and insofar as our profession is concerned, are unalterably opposed to any plan purporting to promote the material welfare of our members, individually or collectively, on any other basis than that of efficiency, loyalty and unadulterated Americanism."

American Institute of Banking

EDUCATION rather than agitation is the world's great need, and education intelligently directing man's work, rather than agitation destroying man's work, will prove the world's salvation.

The institute is destined to serve as a model to other groups for the achievement of greater efficiency, greater harmony, greater service. Where there is a determined unity of purpose and where that purpose is directed to the better qualification of the individual and, through the individual, to the broader service of the group, there is little danger of the misunderstanding which so frequently involve capital and labor.

It is gratifying to see some of the great industrial corporations following in a measure the example of the American Institute of Banking, not as yet so much its educational example, as in the creation of a community of interest through a community of benefit. Some corporations have created that community of interest—created

loyalty, created responsibility—by making it possible for large numbers of their employees to become partners or stockholders. In addition some have created a contact and like privilege between entrepreneur and employee, by inviting the latter to take over managerial functions, usually regarded the prerogative of the executive. The harmonizing influence of a greater community of interest is being more and more recognized. When that once extends even to the educational welfare of the members of the group, as it does in our profession, the strife which has so often paralyzed, will cease to be. Loyalty and responsibility will be found in its stead.

The higher the qualification of the individual, the higher the service expected of him. As the bank man and bank woman have advanced, knowledge and duty have continually imposed larger and broader services.

Superficiality of Present Day

THE last few years have awakened needs in many fields. The banker of world perspective has read new economic symptoms. His diagnosis has convinced him that the present unrest, the present superficiality of American economic opinion and action, with its resultants in discontent, in politics, in radicalism, come from a lack of understanding and application of the laws which underlie the complexities of modern life.

America has become a nation of headline readers, governed by the psychology of sensational, superficial, simultaneous suggestion. Surface wealth has been so easily procured that the nobility of work, the nobility of thought, the nobility of knowledge, have lost their savor. Without a strong foundation upon which to build sane and sound opinion and action, we vacillate hither and yon accepting, without study, each new doctrine, each shallow assertion.

There is need to renew the zest for labor, for thought, for knowledge, for spirituality, if we are ever to realize the fruits of a better understanding of man's relation to man, to industry, to commerce, to government, to life.

The laws which govern in the field of economics, the laws by which we work and live, are the laws which must be understood if we are to know a right relationship between capital and labor, if we are to retain such necessary adjuncts of our economic life as the Federal Reserve System and the gold standard, if we are to reach high individual development and satisfaction, if we are to succeed in wiping out the evils which threaten, if we are to save the splendid virtues and institutions of the capitalistic system.

Noble and complete manhood and

womanhood are the highest creation of this universe. The true American is still that staunch character, responding to the call of duty, to the voice of fairness to neighbor, of loyalty to country, of faithfulness to his God, courageous in the maintenance of right as he sees the light, living for an ideal in this life or in the life to come. It is this American who is asking for help in understanding.

The Duty of the Banker

THE banker has that contact with life which is enlightening of the needs of our people. Banking brings with it that training and experience which inbreeds a knowledge of life's basic laws. Bankers cannot refuse to share—for the sake of America's future, for her progress, for her liberties, for the sake of her citizenship whose equal shall not have been in Greece or Rome.

The banker is the economist in business. America's troubles are economic. The banker worthy of his profession, the Institute graduate worthy of his diploma, find here a new field of activity through which to support the purposes of their profession, their professional ideals—to advance that knowledge which will bring harmony where now is strife, which will smooth the roads to that better understanding between man and man, which will show the futility of a greed that expresses itself in bloc or class activity, which will prove "the unity of social interest." The unifying influences of economic necessity will become a continually growing factor in the peace of the world, both political and industrial, as the economic contribution of each unit to the economic needs of all units and as the inter-relations of all men and all countries are better understood.

It is America's right to look to the banker for definite well-ordered, intense research into the science of money and banking and for the formulation and promulgation of sound economic doctrine, sound economic policies among her people.

"Who shall measure the difference between the power of those who 'do and teach' and who are the greatest in the kingdoms of earth as of heaven—and the power of those who undo and consume—whose power, at the fullest, is only the power of the moth and the rust?" . . . "The three great Angels of Conduct, Toil and Thought (are) still calling to us, and waiting at the posts of our doors, to lead us, with their winged power, and guide us with their unerring eyes." Suppose men "should ever arise who heard and believed this word, and at last gathered and brought forth treasures of—Wisdom—for their people?"



Bankers' Declaration of Principles

THE bankers of the United States in convention assembled in this the forty-ninth annual meeting of the American Bankers Association review their half century of organized effort with reasonable pride and satisfaction as a period marked by constant progress toward sounder policies and higher ideals in their important branch of business. Their united effort is directed toward the increase of knowledge and understanding in their chosen field to make for greater service on their part and an appreciation on the part of the public of the facts and purposes which underlie their activities.

Prosperity Sustained

THE orderly transition from boom conditions to those of tempered but sustained prosperity has been the outstanding achievement in the field of American business and finance in 1923. The volume of business, as measured by basic production, reached an unprecedented level in the first half of the year. The advance in commodity prices was rapid, and bank loans were expanding. Recognizing the dangers inherent in such a situation—for heretofore drastic reactions have usually marked the end of similar periods of general expansion—business leaders and bankers cooperated in preserving a degree of caution which made possible the maintenance of generally prosperous conditions, uninterrupted by violent readjustments. In this experience leaders in business and finance have demonstrated their capacity for vision and initiative.

Banking Conditions

AMONG the most favorable factors in the present situation is the strong position of our banks. Loans and discounts of the member banks of the Federal Reserve system on June 30, 1923, were \$1,076,328,000 less than on Nov. 15, 1920, while the bills payable and rediscounts of the same banks amounted to less than 34 per cent of the 1920 figure. During this period the combined net demand, time, and government deposits of the member banks increased by \$2,224,223,000, showing, in view of the decline in loans, a large net increase in actual cash deposits.

We note with satisfaction that although a greater activity in production and trade has been financed by the banks this year than in 1920, there has been no such pyramiding of credit as took place three years ago.

Gold

THE comparative figures of reserve ratios must be interpreted in the light of the enormous growth in the gold holdings of the country. The extraordinary flow of gold into this country during and since the war has brought our stocks of gold coin and bullion up to \$4,049,000,000

on July 1, 1923, as against \$1,891,000,000 on July 1, 1914. Although more than \$3,000,000,000 of the total gold stocks is held by the Federal Reserve banks, the Federal Reserve Board has properly made it clear that the reserves are not to be regarded as a basis for proportionate credit expansion. We believe that the gold reserves are so large that anything approximating their full utilization for credit expansion would involve an inflation which could hardly fail to end in disaster. Moreover, it is apparent that the heavy importation of gold was the result of temporary and abnormal conditions, and that it will be impossible to retain all of the present stock of gold in this country permanently, even if it were desirable to do so.

On the other hand, there is no occasion for extraordinary devices for disposing of the metal. Such a redistribution of the world's gold holdings as may be called for by the future course of international trade and currency readjustments should be left to the operation of ordinary agencies in international trade.

Excessive Regulation

THE present demonstration in this country of the advantages of individual initiative and self-direction has been made at a time when the menace of unwarranted extensions of government interference and regulation in business is especially pronounced.

In defiance of economic law, groups whose commodities or service are temporarily depressed in relative market values, clamor for government action in their behalf, when the only real relief can come from those economic readjustments which lie outside the sphere of proper government action.

Despite the interference with the activities of commodity exchanges, the need for orderly exercise of the speculative function in business persists. Suppression in this field reacts most harmfully upon the very interests which it is intended to benefit.

The cry for government purchasing of wheat or the fixing of its price above the market, is another case in point. Obviously, the corrective for inadequate prices of wheat is an adjustment of production to demand which reflects the requirements of consumption. Raising the price by government interference would tend to perpetuate the relative over-supply of the commodity. Domestic production would be stimulated by the artificial price. And, unless the Government promptly takes a loss by marketing abroad its purchased stocks, the output of other wheat-growing countries would rise to meet the requirements of importing countries. In any case, price fixing would bring no permanent relief, and the immediate cost of the experiment would fall upon the taxpayers. Moreover, if the Government is to undertake to raise the price of one commodity by such means, producers of innumerable

other products might, with equal warrant, lay claim upon the taxpayers' money.

Radicalism

WE regard the continued agitation for so-called nationalization of industries as a menace to national welfare. It is linked with the persistent efforts to undermine the fundamentals of the American system of government. Government ownership in the field of industry weakens the economic structure. With a minimum of necessary regulation, the bases of freedom for individual enterprise must be preserved.

We express again our firm conviction that the forces and ideas which have developed our country to its present unsurpassed position must not be denied or repudiated in vain pursuit of Utopian dreams.

Taxation

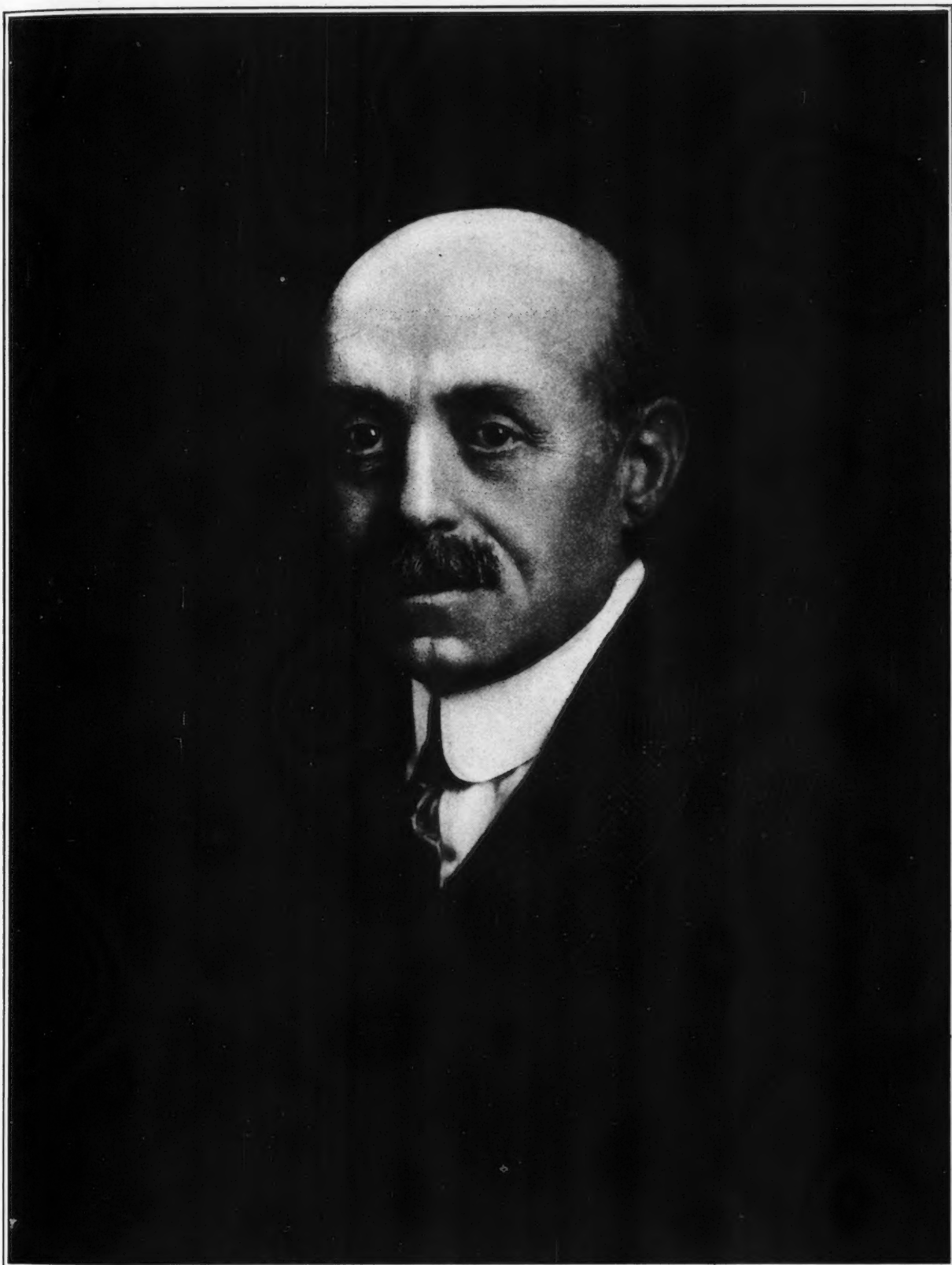
ALREADY the multiplicity of government activities, with the amazing growth in the number of public employees, has added enormously to the burden of taxation. There are now more than half a million employees of the Federal Government alone; and, including employees of state and local governments, the total number on the public payrolls is estimated at more than 1,500,000.

The tax burden is enhanced by needless inequalities in its apportionment. The complete tax exemption of many billions of dollars of public securities is an important factor in the unequal distribution of the burden, and the necessary action for the gradual elimination of this feature of our fiscal system should be promptly taken.

The rates of sur-taxes on incomes should be revised downward. It is evident that their legitimate evasion is a disturbing element not only in our tax system, but in the security markets as well. The rapid increase in the tax burden is shown by the increase of the per capita tax since 1914 from \$22.95 to \$79.15. We call attention to the disastrous results, previous periods of high taxation when public expenditures have run so far ahead of economic development that they caused serious reactions and impairment of credit. Tax-levying bodies cannot hamper the legitimate functions of private business by depriving business of necessary capital and penalize thrift and enterprise without in turn destroying values and retarding progress.

Federal Reserve System

THE association calls attention to the special report of its Economic Policy Commission. It believes that this report embodies the views of the best friends of the system, and it expresses the hope that the Federal Government may adopt the suggestion made in this report. We would call special attention of all bankers to this



WILLIAM E. KNOX

President Bowery Savings Bank, New York, Elected First Vice-President American Bankers Association

report and urge their support of its recommendation.

Wages

BUSINESS is confronted with the handicap of excessive labor costs of production, reflecting wage scales which have been raised out of proportion to general prices or cost of living.

The advance in industrial wages since February has been greater than in any like period since 1920. In July, wages in representative New York State factories, for example, were 118 per cent above those for July, 1914.

The cost of living in July, as measured by the index compiled by the National Industrial Conference Board, was only 62 per cent above the pre-war level.

It is to be noted that since the pay of other workers—for example, farm wages and the compensation of office employees—has not advanced proportionately, the highly paid workers in the preferred positions are benefiting at the expense of their fellow workers in other lines.

Some recognition of this fact by those among the favored workers who demand increased pay for less work would be helpful. That the basis of all wage payments which are warranted is in the service rendered, is a truth too little understood.

The pressure of public opinion should be directed toward the encouragement of the resort to voluntary arbitration in cases where direct negotiations between employees and employers fail to reach an agreement. The resort to force in the form of strikes entails needless costs and hardships for the public.

The Coal Strike

THE recent strike of the anthracite coal miners, which has been settled for the time by a further wage concession to the mine workers, has again demonstrated the public's relative helplessness with the powerful monopoly of organized labor in this industry. The people feel a growing resentment over the prospect of constantly enhancing prices for anthracite imposing a further burden upon the already oppressed consumer, and look to the government for the protection of the public interest which has apparently been to a degree forgotten in the agreement which has been reached in the present controversy. The belief that the mine workers have taken advantage of their strong position to obtain wage advances that are out of alignment with wages in other industries, is strong, and may be expected to lead to efforts to escape the exactions of this monopoly. The adoption of other kinds of fuel to an increasing extent is probable. Meanwhile the public is entitled to receive from the government the fullest information as to all the facts in regard to the anthracite situation, covering every phase of production and distribution. Such a record will afford a basis for action, which will finally be inevitable to bring the coal industry in fair relation with other branches of business. No settlement that tends away from this relation can be expected to endure.

Immigration

THE numerical restrictions upon immigration imposed by the present law, do not, in our opinion, represent a satisfactory immigration policy. Net immigration last year, 265,000, was less than one-fourth that in 1913. Mere restrictions of numbers does not assure the desired result—the selection for admission of the most fit among the applicants. This law—limiting, with certain exceptions, the number of immigrants of each nationality admissible in any fiscal year to 3 per cent of the numbers of the foreign born of the respective nationalities residing in this country in 1919—excluded many who are clearly fit socially and industrially for admission, and who could make genuine contributions to the national welfare. This emergency measure, adopted during a period of widespread unemployment and designed primarily to restrict the number of immigrants, is not a suitable expression of a permanent immigration policy. The law should be liberalized by providing for selection on the basis of quality, the selection to be made abroad as far as practical. We advocate improved methods of examination, selection, reception and distribution, and regard our present haphazard and unfair system as a violation of international courtesy and an economic and social error.

Railroads

DESPITE many handicaps, some of them the results of the disturbed conditions during the war and of government operation, American railroads have been able this year to meet the requirements of the largest volume of traffic in their history. Although the roads have been able this year to earn the estimated fair return in only a brief period in the spring, aggressive efforts are being made not only to reduce rates, but to reduce valuations for rate-making purposes to absurdly low figures. It is in the interest of the public that the Transportation Act should be given a fair trial and that the carriers be permitted earnings adequate for the maintenance and development of the systems. Adequate transportation is a business factor of such vital importance to our national life that we vigorously oppose any efforts to injure the credit or reduce the operating efficiency of our railroads in the assumed interest of any class or section. We are confident that such a destructive policy, if successful, would not only react seriously upon the general business situation, but most painfully upon our agricultural interests and the various classes of labor involved in the operation of the roads.

Agricultural Credits

THE criticism of the Federal Reserve System as inimical to the interests of the farmers, and the agitation for an expansion of its activity in the field of agricultural credits, still persists. Such an attitude indicates a failure to realize that the usefulness of the system depends on its ability to serve impartially the credit needs of all sections and industries.

The new machinery of agricultural credit

adopted last year, though of doubtful value, should be allowed to demonstrate its effectiveness without further tinkering.

The fact that the relative purchasing power of farm products as a whole has been increasing in recent months, is evidence that gradually the prices of these products are assuming a more nearly normal relation to general prices. The index of purchasing power of farm products in July, as compiled by the Bureau of Agricultural Economics, was 72 per cent of 1913 purchasing power. This compares with 68 per cent at the beginning of the year and 64 per cent in August and September of last year.

Further improvement in the economic position of the farmers is to be sought in continued reliance upon the readjustments of supply to demand, rather than upon artificially cheap credit or subsidies. This association, through its Agricultural Commission, will continue its endeavors to cooperate in the farmers' organizations, agricultural colleges, and other bodies to the end that there may be a sane development of the farming industry and all of its branches.

Soldier Bonus

THE menace of the proposed bonus, or "adjusted compensation," for ex-service men, which was defeated by vote of the President last year, persists. That proposal would have added some \$4,000,000,000 to the national debt, already heavy. There is no sufficient justification for such an added burden upon the taxpayers as the bonus would entail.

This committee renews its former statement of its interest in the welfare and comfort of our disabled soldiers, but sees in an indiscriminate allotment of money to able-bodied veterans a serious menace to the credit of the nation and a tremendous drain upon an already heavily taxed Treasury.

Generous aid should be readily available to every needy soldier, but there seems to exist no justification for the unrestricted grant of public funds which is proposed by the bonus bill which Congress will probably be urged to pass.

Five years have now elapsed since the war was ended. There is today little unemployment in the country, and soldiers have been reabsorbed in industrial and commercial life, and surely any need for temporary aid that might have existed immediately after the war has long since passed.

Savings Bank Deposits

INSTITUTIONS receiving savings deposits should be under the jurisdiction and supervision of banking departments with proper uniform rules and regulations. Such deposits should be invested in securities of unquestionable value and safety. The association is emphatically opposed to the acceptance of savings accounts by business firms and other establishments that are not compelled to conform to those rules which are designed to safeguard savings deposits.



OSCAR WELLS

President First National Bank, Birmingham, Ala., Chosen Second Vice-President American Bankers Association

Fraudulent Securities

THE American Bankers Association reaffirms its view so frequently expressed of the need of stamping out the issue and sale of fraudulent securities. It urges co-operation with the Investment Bankers' Association, Better Business Bureaus, and all other legitimate bodies to attain this end and protect the public against the machinations of unscrupulous and unprincipled individuals and firms.

Branch Banking

TO the end that ways and means may be devised to carry out the spirit of the resolution about branch banking passed by this association last year, it is recommended to the executive council of the association that it authorize the appointment of a committee with suitable appropriation to safeguard the present unit system of banking.

State Departments

WE desire to express our approval of legislation looking toward the standardization of state bank departments, to the end that such departments shall be distinct and independent agencies of state government, with sufficient authority to enforce observance of the laws affecting banking activity, and to control the issuance of new banking charters.

Hospitality

THE outstanding success of this convention was due in a certain measure to many who have assisted in the working out of its details, and we desire to express our appreciation of the hospitality of our Atlantic City hosts and of all others who have contributed to the comfort of our delegates and guests.

Obituary

WE desire to express the sincere regrets of this association for the death of a former president, Caldwell Hardy, chairman of the Board of the Federal Reserve Bank at Richmond, Va. As an executive of this association, as a banker and as a citizen, Mr. Hardy rendered a full measure of service for which we desire to express the appreciation of the many who came in touch with his life work, and we extend to his family our sincere condolences.

We desire to express the sincere regrets of the Association over the deaths of former President Walker Hill of St. Louis and J. D. Powers of St. Louis.

President Puelicher

THE Association takes this occasion to express its keen appreciation of the energy displayed by its retiring President in furthering the interests of the Association and especially the cause of economic education in the country. Under the progressive leadership of President Puelicher, a campaign has been inaugurated which

will carry to our school children true teachings of economics, which will do more than anything else to prevent the spread of radicalism in this country.

American Institute of Banking

CLOSELY related to the efforts of President Puelicher in furthering the work of public education in the American Bankers Association is the work of the American Institute of Banking.

We acknowledge the splendid progress made by the American Institute of Banking Section, and we recognize the institute as an essential agency for training and developing the bankers of the future. We pledge our hearty support to its undertakings and our full cooperation in its activities.

European Situation

DURING the past year the effect upon the United States of the serious conditions existing in Europe has become more and more noticeable in our foreign trade and has finally begun to curtail our domestic production as well. It is our firm belief that if we do not recognize and accept our responsibilities in connection with the reparations questions which are preventing our Allies and Germany from coming to an agreement that will re-establish peaceful conditions in Europe, that both our foreign and domestic trade will continue to suffer seriously. We again urge upon the Administration the advisability of giving an official standing to our representative on the Reparations Commission in order that he may express his opinion with his vote; and further recommend that the Debt Funding Commission immediately enter into negotiations with Great Britain and France in connection with such part of the reparations questions as may be included in the interallied indebtedness in order that the commission may be in position to make such recommendations to Congress as it may consider desirable and to the interest of the United States.

In making these recommendations we would particularly call attention to our former warnings as to the effect of the European difficulties on the trade of this country and the fact that events have proved our judgment correct.

A policy of complete isolation from European affairs cannot be maintained indefinitely without grave danger to our own interests. The example of Austria, aided in part by American capital in the rehabilitation which is now clearly in progress in that nation, indicated the methods by which America may in due course, when the will to establish political, financial and economic stability and maintain peace has been convincingly demonstrated abroad, be a powerful influence in the betterment of other continental countries.

Conclusion

IN the midst of the many puzzling economic problems which the world faces today, largely resulting from the political

differences and ambitions of rival nations, the conclusion is inevitably forced on the impartial observer that the primary need of the world is moral and spiritual regeneration as the essential basis for economic recovery. Until the nations of the world are willing to liquidate their hates, they can make slight progress toward liquidating their debts. Until the dominating forces of greed and selfishness are mitigated by a higher regard for the rights of others, until a larger degree of international good-will supplants racial animosities, until a higher regard for moral obligations and human welfare characterize the practices of men, the many economic problems incident to the operation of these evil forces will await solution. While the purposes which dominate the councils of the nations are political, rather than economic, are selfish rather than fraternal, are following the forces of expediency and opportunism rather than the ends of justice and righteousness, there can be little hope for improvement in the existing order. Until ideals of human welfare, of a just distribution of earth's bounties and a righteous observance of the common good are more firmly implanted in the minds of men, we must expect the constant conflict of interest and its expression in political, social and economic disorder. To the ends of a better understanding, not only of the purposes of business, but of life, that a better order may be established among men, the bankers of America dedicate themselves in united effort to attain and maintain those ideals of civilization upon which alone human society can soundly rest.

Francis H. Sisson, Chairman (Public Relations Commission); Fred I. Kent, Vice-Chairman (Commerce and Marine Commission); Walter Lichtenstein, Secretary (Economic Policy Commission); Burton M. Smith (Agricultural Commission); Evans Woollen (Trust Company Division); Charles H. Deppe (Savings Bank Division); Thomas R. Preston (National Bank Division); Francis Coates, Jr. (Clearing House Section); Edwin V. Krick (American Institute of Banking); Mrs. Helen M. Brown (State Secretaries' Section); A. E. Adams (Federal Legislative Committee).

W. S. Bucklin Elected President

William A. Gaston has announced his resignation as chairman of the board of directors of The National Shawmut Bank, Boston. Alfred L. Aiken was elected to the vacancy. Walter S. Bucklin, president of the Liberty Mutual Insurance Company, was elected president of the bank. Mr. Gaston will continue active as a director. Mr. Bucklin helped organize the Liberty Mutual Insurance Company in 1912 and was elected president in 1914. Mr. Bucklin is also vice-president and general manager of the United Mutual Fire Insurance Company.

Bank Clearings in New York during August amounted to \$14,778,137,428, the smallest total since February, 1921, the Irving Bank-Columbia Trust Company points out and adds: "This compares with \$16,645,489,481 in July, itself smaller than any preceding monthly total for the present year. The August New York bank clearings were 12.8 per cent below those of a year ago. In 182 outside cities the August total was \$14,594,565,312, which was 8.8 per cent more than in the same cities a year ago, and with the exception of February, 1923, the smallest since November, 1922.

The Economic Stage and the Banker's Role

By CHARLES E. MITCHELL
President National City Bank, New York

Explanation of the Recuperative Powers of the United States. Opportunities for Export Trade. Difficulties to Be Faced When Europe Becomes Stabilized. Removal of Handicaps on Enterprise. Europe Waiting for Gold to Turn Balance of Trade.

THE American Bankers Association convenes this year with business conditions of the moment the most favorable the country has known since our entry into the great war, and I do not except the periods during or those immediately following the war. Everyone of business judgment recognizes, and in fact knew at that time, that the conditions of those years were abnormal, that we were not on a sound and permanent basis and that sooner or later a settlement day was coming. The crisis of 1920 and 1921 was severe—in fact, perhaps the most severe in the history of the business world, because practically all the world had shared in the conditions that led up to it and was involved in the collapse. In our own country the fall of prices was without a precedent, because the state of inflation had been more general and the disorganization of world trade and industry greater than ever before known. As the war temporarily increased the dependence of Europe upon this country, so the expansion of our production to meet the temporary needs of Europe made us more dependent upon European markets than we had been before, and the ordeal of readjustment was inevitable. The manner in which the United States passed through this ordeal, put its losses behind it, and regained prosperity is something over which we may feel profound satisfaction. Our productive powers are intact; they are functioning efficiently; and our banking and financial system is equal to any demands that may be laid upon it.

Within Our Borders

IF we look for the explanation of this wonderful demonstration of the inherent strength and recuperative powers of the United States, we will find at least 90 per cent within our own borders. The growth of our population, the natural, irresistible impulse of our people to business and to progress, and the diversity of our resources which makes us so nearly self-supporting account for the revival of industry and trade. We are wont to pass over too lightly the tendency in this country toward growth and improvement. Who would have thought when the war ended, for instance, but that the enlargement of our iron and steel industries, built up to supply war demands, would have been far more than sufficient to meet the requirements of our country for a decade

to come? Yet iron and steel production this year has been practically at capacity. Generally speaking, our leading lines of manufacture have been surpassing the records of wartime production. The fact is that our industries are so diversified that they support each other, forming a great circle of exchanges within themselves, and if kept in balance, there is almost no limit to their development.

Breaking Away

IN the past five years we have been gradually breaking away from economic dependence upon the outside world. Before the war, we were largely dependent upon Europe for a market for our agricultural products, but our margin of surplus in these products is now comparatively small. We no longer depend upon Europe for capital, but are able to supply capital to her and other countries, and in so doing, markets are opened for our manufactures. We have bemoaned the fact that farm prices were low as against higher commodity prices. The economic law is gradually taking care of this discrepancy. Our industrial growth means the growth of an industrial population, and an increasing consumption of farm products at home. The demand for labor in the mills, mines and factories draws upon the farms so long as farm prices are lower than in the industrial field, cuts down farm production, and at the same time increases the demand for products from the farm, and gradually, but assuredly, the restoration of the balance between agriculture and industry asserts itself.

The time has come to take account of the ability of this country to establish an equilibrium, with the center of gravity within itself.

We continue to have a reasonable amount of export trade. The opportunities for trade outside of the disturbed areas of Europe are so great that our dependence upon the latter is comparatively slight, and yet business with those disturbed areas continues in moderate volume. We take from them little that is essential to us, but what they take from us is vital to them. The disturbance of European trade results in developments elsewhere in the world. If Germany, for example, imports less of raw materials, it follows that she will export less of finished goods, and that other coun-

tries, the United States among them, will manufacture and export more. The cutting out of any country, in whole or in part, from the circle of world trade occasions a shock and a temporary break in the circulation of products—just as the loss of a limb from the human body causes a shock to the entire system—but just as blood circulation will again establish itself, so world trade will be resumed through new connections and eventually be as vigorous as before. Thus, for instance, we see that, while in 1913 the share of the United States in all the imports of Latin-America was 25 per cent, in 1921, the latest year for which figures are available, it was 45 per cent, and in the seven months of this year ending with July, our exports to Latin-American countries increased over what they were in the corresponding months of 1922 by a gain of 21 per cent. In those seven months our total exports to countries outside of Europe aggregated \$1,172,000,000; and, mark you, there was little difficulty in paying for those products, for their exports to us in the same months aggregated \$1,680,000,000; that is, they sold to us \$500,000,000 worth of products in excess of what we sold to them. Moreover, those importations were only in small part manufactures; they were raw material or food products, either non-competitive with our products or required in addition thereto.

It has long been our custom to settle adverse balances in South America, Asia and elsewhere by means of our credit balances in Europe, the latter making payment for the most part in manufactures. With the decline of European trade, we have been doing more business with the rest of the world direct.

Real Prosperity

WE are enjoying in this country today a real state of prosperity, and we should be cognizant of it and instill, so far as we are able, a spirit of confidence throughout Business America that will extend the life of the prosperous period. I am not arguing that permanent prosperity is assured to us. That can no more be true of any people than of any individual. I would urge, however, a recognition that we have emerged from the earthquake of war and the tidal wave of depression that inevitably followed. So far as American business as a whole is concerned, the war

is over and is paid for. The great sum of indebtedness owing on that account from foreign countries represents commodities sold years ago, and while I am not advocating the wiping out of that indebtedness, I say that if we never got a penny of it, we would be no worse off than now. All that is behind us. Let us appreciate and enjoy and prolong as long as we can the prosperity of the present.

But while we do enjoy the present, let us not be unmindful of the difficulties American business must meet in the next few years, when conditions the world over, and especially in Europe, become stabilized and their business and trade become active. Our problems of the future will arise, not from a diminishing trade by other countries, but from their recovery and reappearance as competitors, and we need to prepare ourselves for the inevitable competition of other countries, and especially European countries, in all markets of the world, including our own. Foreign competition is not altogether without its benefits, for it acts to stabilize the price level, to restrain the tendency to inflation and to keep industry in touch with production costs abroad, but, to say the least, it is trying. I am not afraid of the ability of this country to compete in the long run and to obtain an ample share of world trade, provided we now recognize that that competition is coming, that it is going to be vigorous, and that to meet it we must loosen every restraint to American industrial development to the end that in this country there may be an efficiency which will overcome a higher standard of living and still make us able to do business on the world's price level.

Relieve Enterprise

WE want enterprise relieved of the fearful penalties to which it is now subjected.

We want a revision of the present income surtaxes that dam the natural flow of wealth in the channels of wealth producing enterprise and divert it into tax-exempt investments that mean State and municipal non-productive development and waste.

We want economy in Government expenditures that will bring relief from taxation as fast as it can be given. We want the oppressive hand of the Government taken off of business, and freedom given to individual enterprise.

We want the Government out of the shipping business where, at enormous cost, it has been proved that such oppressive measures as the Seamen's Act prevent any profitable operation of an American merchant marine—and we want the Government out of every other business because every experiment in Government management demonstrates its disqualifications in that field.

We want to see a chance given to our railroads, which constitute the very arteries through which commerce must flow. We want recognition given to the fact that these railroads, although laboring under great difficulties, have been handling the largest volume of traffic in the history of the country in a most efficient manner. The railroads cannot go on indefinitely financing for the purchase of equipment and the improvement of their service through bor-

rowing 98¾ cents of their requirements and obtaining 1¼ cents from stockholders, which is the record of the past four and one-half years. Railroad credit must be so restored that a portion of new capital requirements may always be met by the sale of stock, and to do this, railroads must be allowed to earn profits that will give their stocks a standing high enough to attract new money in a competitive market. I view it as one of the most important conditions for the future that the guarantys contained in the Esch-Cummins Railroad Act shall be maintained.

We want, above all, an ever increasing economic understanding of the difficulties we must overcome.

Redistribution of Gold

THERE are certain conditions often regarded as favorable which will actually work to our disadvantage under the stress of competition. One of them is our excessive accumulation of gold, which is growing from month to month. Every banker is familiar with the fact that any increase of gold reserves tends to increase the expansion of credit, that a general expansion of credit produces higher prices, and that higher prices will weaken our position in world competition. The economists and financiers of Europe, as you well know, are confidently waiting for this influence to turn the balance of trade against the United States, start a flow of gold from our coffers to Europe, and produce the hoped-for industrial revival over there.

We have a very real problem on our hands in determining how to accomplish a redistribution of this gold without going through the usual round of credit inflation, rise of adverse trade balances, falling prices, and credit disturbance. The symptoms of last spring were alarming, but the good sense of the business community averted the danger for the time being. That danger will, however, continue to overhang as long as gold continues to flow into our already abundant reserves. We are in a position where, with such national debt payments as are being made to us, favorable trade balances have a real element of peril in them, and yet, at the same time, we are not wanting unfavorable balances that would signify industrial depression. We are in a dilemma the chief difficulty of which is in maintaining price equilibrium and at the same time maintaining trade equilibrium.

Meaning of Low Costs

THE discussions have been so widespread that I am sure that there is no business man who does not understand that the indebtedness of foreign governments to the Government of the United States, to the extent that payments are made thereon, is a factor having a bearing upon the trade situation. Every payment involves the creation of credits in this country which can be accomplished only by shipping gold or goods to us. The appearance of a government in the exchange markets as a buyer of exchange on the United States means competition for means of payment here, and involves higher exchange rates and consequent higher prices on American products to foreign customers.

These conditions arising out of unbalanced international relationships caused by the war, serious as they are, constitute no reason why we should not go on with regular business and with full confidence, but they do call for the watchful attention of bankers and business men. They emphasize the importance of the development of a super-efficient commercial condition throughout the country that we may overcome the obstacles which American trade must inevitably meet. They emphasize the need of a greater degree of harmony in industry and a greater understanding of the advantages to both the employer and wage-earner of that production efficiency which is at once the guaranty of low costs, of command over markets, and of wages of high purchasing power.

If weight be given to your words and mine as those of bankers in urging this doctrine upon business men and legislators, it is essential that we recognize that "those who live in glass houses should not throw stones," by which I mean that while calling for a higher efficiency elsewhere, we should see to it that a higher efficiency exists in the banking structure of the United States. It is our responsibility to place the business of banking in this country upon a plane paralleled by that in no other, and this can be accomplished only as you and I as executives in our individual institutions administer with understanding, with conservatism, and with courage.

Reserves Against Contingencies

I TAKE this opportunity of telling some of the things we have been thinking about lately in our institution.

One of these is the question of reserves against contingencies. The business of commercial banking is, by its very character, a business of risk. There is scarcely an operation that we perform in which risk is not inherent and continuing, and so long as this is so, it cannot be conservative to carry the operating profits of a month to the surplus and undivided profits accounts until some measure be taken of the risk of that month's business and a reserve directly applied for it. It has been an interesting study to us to measure that risk and to feel our way toward obtaining a standard yardstick for it. Unlike the insurance companies, we have no actuarial table to turn to. The losses sustained by the banking institutions of the country over a given period, even if this information were available, would serve as no more than an index because of the differential arising out of dissimilar policies and management. But it has seemed to us that under sound administration, a bank that is taking reasonable risks in its endeavor to assist commercial development will find that the risk increases with the degree of inflation existing, and decreases with the degree of deflation existing. How, then, can one determine the measure of normality, and what yardstick can be applied to determine inflation or deflation? Now, in our institution, we have made an assumption which is subject to change, for experience may show it to be very wrong, that conditions are normal when the member banks of the country are borrowing from or discounting at the Federal Reserve Banks in the amount of \$500,000,000, and that discounting above or below

that figure reflects a condition of inflation or deflation. On the theory, then, that the risk of banking varies as these borrowings increase or decrease, we are establishing a reserve for losses or contingencies, set aside monthly against current earnings, and based upon the bank's average commercial loans and discounts, increasing our percentage so applied for each unit of \$100,000,000 increase or decrease above or below the normal figure of member bank borrowings. Now if it be a sound principle that the business of commercial banking involves a risk that will inevitably be met, I wonder if it is not an opportune question for the division of the American Bankers Association having to do with taxation to raise with the Federal authorities the question as to whether commercial banks should be called upon to pay full taxes upon current operating profits, or whether it is not in the interest of conservatism that banks be allowed to set up current reserves against current operations, paying their taxes upon the net figure. It seems to me the Government has it in its hands to thus foster a conservative movement in bank operation.

Bank Buildings

AND again, in this regard, is the item of bank buildings and fixtures, which item, as shown by the reports of the Comptroller of the Currency for the year 1922, for all national and State institutions, runs to the enormous figure of \$1,079,000,000, an item equivalent to nearly one-sixth of the combined items of capital, surplus, and undivided profits. The bank buildings of the United States represent probably the highest development in American architecture. They are costly structures. But it is sound that the banks of this country should be housed in buildings that psychologically stimulate the feeling of strength and stability in the minds of the people and lure thereby into channels of usefulness currency that might otherwise go into hiding. The outlay is justified. And yet, is it not slightly inconsistent that banking institutions whose liabilities are quicker than those of any other division of commerce should carry with slow depreciation an item of this char-

acter, of such unusual size, and which is recognizedly the slowest of all assets? I am wondering whether we should not all be depreciating our bank buildings more rapidly and whether our Government should not perhaps be fostering such a conservative development by permitting, perhaps even forcing us, through tax regulations, to a more rapid depreciation plan than we are now following.

Another problem to which there may be directed profitable discussion is that of the degree of liquidity properly to be maintained by our banking institutions, and how to measure it. Cash, discountable paper, Government obligations, and, in large measure, deposits with the Federal Reserve Bank, are unquestionably liquid assets. Brokers' demand loans are quick, and a percentage, at least, of the market value of the bond account is quick, and, of course, a part, differing in every institution, of the loans and discounts that are not eligible for rediscount, are quick. But to what degree of liquidity should we be working? Each executive should carefully analyze the situation of his own institution in this regard, and we should be helpful to one another in determining the ratios in respect to this important subject that spells sound banking.

Officers' Remuneration

THE subject of bank officers' remuneration is one that has been of marked interest to me. If the banking profession is to prove inviting to the best commercial minds of the country, it must obviously compete in remuneration with the rewards that come to leaders in other commercial enterprises. The opportunities of gaining an insight into commercial developments and of knowing something of the profitable nature thereof, which are inherent in the bank executive's position, and the possibilities of becoming privately interested financially in profitable enterprises through acquaintance, have presented an allurements to men to enter the banking profession. But these very opportunities, when exercised, have resulted in not a few cases in a lowering of the standard of the profession, for personal interest is bound to cloud the judg-

ment of the bank executive. His interests should be first and foremost those of his bank. His thought and his every endeavor should be in the creation of the height of economical administration and service to his customers, regardless of personal interest. His compensation should be through, rather than by virtue of, his position. And so thinking, we have in our institution established a plan by which out of the balance of current earnings, after establishing reserves covering the risk in current business, and after allowing for liberal interest on the capital in use, as represented in the items of capital, surplus and undivided profits, a percentage is each month set up in a management fund for periodical distribution to those officers who have contributed most effectively to the bank's development and profitable progress, and for recognition of significant achievement. Our plan is in its experimental stage, but I am confident that while resulting in a direct benefit to the bank executives, it will react in the higher efficiency of the institution and in larger returns to the shareholders.

The bankers of every country are regarded as advisers. In one way or another they meet and wrestle with the problems of varied industries. They see the economic picture in more completeness than can the man in a single trade. They have a comprehensive view of the movement of goods. It is their business to measure wealth. They will ever be appealed to for advice. Let us, as bank executives, deserve the confidence that the public will inevitably place in us, and let us be so diligent in our study of the times that our advice may be sane and sound. And let us impress upon the many within our influence that we have emerged from the eddies of the war into the calm harbor of the moment through which we can safely sail without fear of storm, but let us be warned that we are headed for the open sea where, if our ship would safely sail, we must be prepared for the powerful rollers of world competition, and that now, in this period of calm, is the time for us to see that the ship is freed of barnacles that retard its progress, that it is caulked and made ready, and that the crew is trained for service.

American Institute of Banking Alumni

ABOUT 75 graduates of the National Alumni Association of the American Institute of Banking attended the subscription dinner at the Hotel Traymore. Stewart D. Beckley, former president of the Institute and cashier of the Mercantile Trust Company of California, San Francisco, presided, and speakers included Former President John H. Puelicher of the American Bankers Association; William E. Knox, president of the Bowery Savings Bank, New York City; Guy E. Bowerman, president of the Arlington Heights State Bank, Los Angeles; Fred N. Shepherd, executive manager of the American Bankers Association;

Dr. Walter Lichtenstein, executive secretary of the First National Bank, Chicago; Clarence R. Chaney, president of the Institute, Minneapolis; "Uncle" George E. Allen, formerly educational director of the Institute; Stephen I. Miller, Jr., educational director of the Institute; Fred I. Kent, the first national president of the Institute.

When Mr. Puelicher praised "Uncle" George Allen and told of the benefits "Uncle" George and the Institute had given him, he was deeply moved.

"Whatever I attain in banking will be due to the encouragement, advice, help and inspiration 'Uncle' George and the Institute

gave me," he said. "'Uncle' George started me in the studies that enabled me to advance."

Dr. Lichtenstein, as the "baby graduate," was presented with a decanter of milk by Secretary Richard W. Hill of the Institute.

Although the Institute is only 23 years old, it is already beginning to make a real showing, as greater numbers of its early graduates are taking high places in the banking world.

Six of the speakers, all of whom praised the work of the educational section, are Institute graduates.

A chapter of the Institute was organized at Atlantic City during the convention.

Education and Banking

By STEPHEN I. MILLER, JR.

National Educational Director, American Institute of Banking

MY presence as Educational Director of the American Institute of Banking involved a journey from Seattle to New York City and involved a complete severance of my university and public service relations in the Northwest Pacific Coast district, in order that I might share in the educational enthusiasm of more than 30,000 students enrolled in the greatest university in the United States. For more than twenty years my experience has convinced me that education on the one hand and business on the other have only just begun to understand the mighty rôle they are destined to play in the immediate future.

If a lawyer, engineer, minister, physician or educator were to appear before you, you would extend to him that evidence of privilege and distinction characteristic of a profession. The reason is clear. You would recognize the scientific nature of his life work and the vast training necessary to make it a success. The world does not accord to the business man the same full recognition, for the average business man has not lifted his vision to the economic background upon which his business rests and has not given full credence to the education necessary to master its intricacies.

Name five of the leading business problems of today and then tell me if you believe an untrained mind can solve them: (1) Under what conditions does the consumer pay an import duty? (2) Explain how tax exempt securities affect the burden of the income tax. (3) In what way does the rediscount policy of the Federal Reserve Board affect business? (4) Explain the necessity of the gold standard. (5) Explain the modern check clearance system in the United States.

Surely one would belittle the labor of the human mind if full measure of credit should not be extended to the business man who understands modern economic problems.

The first step, then, in lifting business to a professional basis is our confidence in its scientific nature. The American Institute of Banking, a section of your own Association, has accomplished more toward that end than any other agency in the world. Largely by their own initiative, young men and women in American banks have set up an organization destined by the force of logic and education to make tomorrow's business more worthy; from their own leisure they have set aside many hours each week in order that they may serve you and the nation more faithfully. This is the first reason for my interest in institute work.

Modern education does not reflect the need of the time. The average college student brings neither the enthusiasm nor the maturity necessary for higher education. Everywhere in the business world men and women are eager to study the

immediate problems confronting them, and the economic background upon which these problems rest. No greater testimony could be presented than the 30,000 students of the American Institute of Banking who each year study economics, business law, negotiable instruments, banking, investments and financial administration. This is an enrollment equal to the total registration of Harvard, Princeton, Yale, Cornell, the University of Chicago and the United States naval and military academies at Annapolis and West Point. These students have for instructors both practical bankers, lawyers and men from the faculties of leading universities and colleges throughout the United States.

Even more important than the enthusiasm of the student and the training of the instructor is the fact that the educational content is definitely brought to bear upon the need of the student in his or her field of work. Thus, one of today's fundamental attacks on higher education—namely, that it is detached from the life out of which the student must come and into which he must go—cannot be made upon the American Institute of Banking.

But a knowledge of facts and even a knowledge of principles does not equip the business man of today to meet the impending issues. Business in all its phases must be conducted in terms of highest integrity and ideals. Yet, notwithstanding the hundreds of millions spent for higher education, American citizenship and legislation do not reflect sincerity and high purpose. A business, an education, a life must be dedicated in terms of

humanity and in terms of public service.

No greater power for the promotion of a better understanding on the part of the public can be built up than a business organization of young men and women alert with hope, enthusiasm and ideals. The American Institute of Banking selects the contents of its courses and chooses its teaching staff always aware of the power and necessity of constructive ideals.

Each year the bankers of the United States will inherit an army of youth which should be better able to perform its work intelligently but which will translate to the public, the service and spirit of a modern bank. This is the second reason for my interest in the American Institute of Banking. And what will be done with the inheritance?

The bankers of the United States have answered in terms unmistakable. Yet, the American Institute of Banking now asks for the supreme gift of all time—the gift of yourselves. No struggle requires more vision, more concentration, and more will power than to study.

The physician, lawyer, engineer and educator study daily in order to keep step with the progress in their respective fields. No inspiration is so great as the personal interest of one's employer; no inspiration is so great as the personal interest of a child's parent, especially the father; no investment bears greater returns than an education, whether it be the education of a child or an employee. But no investment receives so little scrutiny and so little personal cooperation as the investment in education.



At the Convention: Oliver C. Fuller of Milwaukee; Paul M. Warburg of New York; F. O. Watts of St. Louis; Robert F. Maddox, Atlanta; C. A. Hirsch, Cincinnati, Ohio.

Seeing Things

By MELVIN A. TRAYLOR

President of the First Trust and Savings Bank, Chicago

Unrest Is the Pain of Progress. Today Is the Best in Our History. Are All Our Protests Justified by Facts? Distributed Wealth Checks Too Much Regulation. Anger of Farmers Caused by One-sided Sympathy. Our Ledger Has Two Sides.

AHURRIED glance through the pages of history for the last five thousand years will easily convince us that the unrest, with its turmoils, bickerings and arguments is not a new malady. Each civilization has had its own false prophets, foolish dreamers, and visionaries. No step ahead has ever been taken, either in religious or political thought, except by the disregard of continuous warnings that there is lurking just beyond certain disaster which will engulf mankind and wreck civilization—all due to the perversity of the times.

Fortunately for the race, these calamity howlers have been more often wrong than right. The path of progress is always beset by Doubting Thomases and by those who do not believe in change, who are afraid of the new and hold fast to the old.

Certainly, as regards our own country, we are warranted in looking beyond the shadow and examining some of the ghosts of disaster which seem to frighten us now. Today capital shrinks from its burden of taxation and rails at the restrictions of Government regulation. Labor clamors for shorter hours, shrieks for better working conditions, and demands more pay.

The farmer, exploited by politicians, and suffering from the unwise activity of earnest, but ill-advised friends, is rampant in his advocacy of political fallacies which would mean economic hari-kari.

Nation's Best Day

AFTER all, is capital unduly handicapped, is business, commerce and industry too severely restrained, is labor as a whole crippled by unsanitary working conditions or unwholesome home surroundings, does it serve too many hours, is it too poorly paid, is agriculture completely on the rocks, does it languish because of legislative neglect? Fascinating as is the memory of "the good old days," would any of us reverse the wheels of progress for a return to the realities of those days?

Is it not possible that the Nation's mental unrest is largely a natural result of the evolution which is inevitable in all progress and a certain accompaniment of accumulating years? I realize that it is difficult for us to accept new theories. With temerity we cling to the proved and tried, and we resist the untried. With the faith of the orthodox believer we are prone to denounce as a heretic, the protagonist of change. We delight in kicking against the pricks. Yet history is largely a record of a compromise of the conflicting minds and powers.

However much we may not approve of many of the tendencies of the times, and disapprove as we may of much of the propaganda of the hour, I believe we can find much that is encouraging and hopeful. I doubt not that a correct appraisal of our entire situation as a nation will convince us that this is the best day this country has known and that the promise is bright for the future. I know this is a bold statement, subjecting me to the possible indictment as a dreamer of dreams, a false prophet and of seeing things myself—but let us investigate.

Always a Balance

THE great contending forces of today are the same that have appeared in all the struggles of the past. Modern historians have shown us that the great struggles of the past have turned more upon the material welfare of the individual than we were wont to believe. This has been true even when most of the public statements dealt with the great fundamental theories of life, such as personal liberty, freedom of action, the pursuit of happiness.

In other words, under our own form of Government, with the chief civil rights of man guaranteed by our Constitution, political strife of necessity concerns itself primarily with economic questions, with the struggle between the masses—those who labor with their hands and brawn and who possess little—and the classes, those who, let us say, labor with the intellect and possess much. So long as either party feels that there is an unequal distribution of the rewards, the struggle for dominance will be genuine and fierce.

Today capital seems to feel and openly charges that it is being unjustly discriminated against by class legislation, unduly hampered by Government regulation, and unnecessarily burdened by inequitable taxation. Admittedly there is an element of truth in each of these statements, but may we not well inquire if, on the whole, invested capital ever enjoyed a larger return than during the past decade, omitting, of course, the deflation losses of the recent period of liquidation?

Granting the humiliation to management by such abject surrender to class legislation as characterizes the enactment of the Adamson bill, has there not been as a direct result in part, at least, of this law, compensating legislation which has placed the railroads of the country on a possibly sounder basis than they have been for a quarter of a century? Though we may justly condemn

the shot-gun methods employed at the time of the Adamson enactment, do we gain anything now by continually harking back to that incident? Is it not to the balances and checks of legislation that we must look for equality under the law?

We Pay—but Receive

CLAMOR for reduction of freight rates just now is most insistent. It furnishes one of the choice morsels proffered by office seekers who know and care little of what the result of such action might be. If horizontal reductions took place, one of two or three results would speedily follow: either a reduction of wages, which could only be accomplished at the end of a strike, paralyzing transportation, and therefore not likely, or if reductions were not achieved, the result would be such an impairment of the earnings of the roads as would destroy their credit and lead to bankruptcy.

This would cause serious loss to investors, a certain wiping out of capital, and a general reduction in the purchasing power of the community, all of which in turn would bring us directly to Government ownership.

If those who clamor loudest for a curtailment of railroad revenues will only realize the ramifications of our transportation system, the strength it adds, when prosperous, to the purchasing power of the community and to the profits of business in general, they will be slow to insist on a policy which will cripple or handicap the great carriers of the Nation's commerce. It is the duty of the railroads themselves, of all public speakers, writers, and of the press to point out continually and faithfully these plain truths to the public.

Another group of our citizens, wise, cautious, and sane, who may be seeing things, are those who believe that the country is headed toward financial ruin through debt and taxation. No one will deny that these items are assuming staggering proportions, but when we examine the other side of the ledger, is the situation as bad as it appears? Have we not forgotten the growth of the country: do we properly appreciate the change that has taken place from the forest and pasture of 150 years ago to the agricultural supremacy of the last quarter of the nineteenth century, and again to the industrial achievement of the present day?

Debts and Ability to Pay

ONE hundred years ago government was a simple matter. The expense of administration then was small. But as the population increased government became an

ever-increasing function and a consequent growing charge. Our mounting debt may be tremendous, the taxes we pay may be burdensome, but is the debt out of proportion to our wealth and our ability to pay? For what, after all, are our debts created? Some of our most satisfying possessions are those acquired through the purchase of non-productive property.

If we can justify individual expenditures for non-productive purposes for the personal welfare of the individual, does it require any violent wrench of economics to find a warrant for the expenditure in behalf of the community for community welfare? Excepting the war debt, which was gladly and willingly assumed by all, I think it is safe to say that a large part of new securities emitted in recent years has been of a municipal character. Has the issue of these securities gone too far, and has the purpose for which the money has been expended justified the debt?

A writer recently contributed an article to a Western paper entitled "What's Eatin' Us?" He rightly, I think, attributed our panic of seeing things to a lack of proper appreciation of the blessings we enjoy. Among other things he said:

"To those who remember the time when \$40 an acre was considered an outrageous price for land in eastern Iowa, a spring seat on a farm wagon a luxury, and the possessor of a 'top buggy' a nabob; when there was scarcely a furnace or a bath tub in the entire State of Iowa; when the only refrigerators in town were those in the butcher shop; this age, when one only has to touch a button to get a light with the strength of a hundred candles, when you turn one faucet and get cold water and turn another and get that which is hot; when houses without bathrooms and furnaces are exceptions; when schoolhouses in small towns are better appointed than State capitols used to be; and country children are taken to and from school in auto buses, and city schoolhouses are not considered quite up to date unless equipped with a swimming pool; when workmen drive to their daily tasks in gas cars; and there are enough autos in the State of Iowa to take every man, woman and child in the State out for a joy ride at the same time, it seems as though some genii had rubbed a modern Aladdin's lamp and that we are living in Fairyland."

Wealth Spent for Nation

WHO of us now would willingly return to the conditions of fifty or one hundred years ago? Much of our recent debts have been for good roads but they add immediate increased value to the land they traverse, and they certainly add increased dollars to every item produced on farms bordering or near them, to say nothing of comfort and happiness.

A very large sum has been and is being borrowed by the farmers of the country to pay existing debts, to purchase more land or to improve and equip the property which they already own. Would we have it otherwise?

If national life is to survive and be happy, and it will, the homes of the city, the town, and the country must shelter in pleasure and comfort a contented people. This can be

done only by capital investment that cannot be made, with rare exception, in one lump sum from accumulated savings.

The difficulty is that we cannot realize that each increase of a million population adds just so many units of additional demand for each foot of soil, and homes for human existence. We are not willing to concede that the community should capitalize a part of that appreciated value for community welfare. The farmer who borrows \$50 per acre upon his land is merely capitalizing a part of the value which has accrued to him through the ever increasing demand of an increasing population for the purpose of contributing to his individual and family comfort.

There is, however, another element which robs this boggy of increasing debt of much of its alarm for me; that is, that all of the securities issued are being purchased by our own people. We are simply borrowing from our neighbors and paying back to them. The increasing wealth of the nation is being spent in making the nation a better and happier place in which to live.

If we were impoverishing ourselves by the sale of our securities to others, we might well be disturbed. Our debts are being made from accumulated earnings, from the savings of the people, and still are not absorbing all these savings or accumulations, as is witnessed by the constant increase in savings deposits amounting to more than 10 per cent annually, to say nothing of the tremendous increase in current bank balances. We are rapidly becoming a nation of investors and property owners, and cry aloud as alarmists may, I do not believe you can make bolsheviks of such people.

Labor Still Protests

TO those of our friends who see the ghost of government regulation and supervision threatening the ruin of our free institutions through the destruction of individual initiative and personal ambition, I recommend a closer study of our form of government and the unavoidable development which must come from the growth of a country under our system.

In the old days when people were busy with pioneering they had little time and less concern for the conduct of those in other lines of business than their own. But when the job of pioneering was finished the result of the awakening of the public mind was a growing restlessness and dissatisfaction with things as they were and an insistence for what the public conceived to be its right or protection. Thus began the growth of committees and commissions to investigate and regulate. We may not approve any character of government supervision of business, but my guess is that we are likely to see more, rather than less, in the future. My belief also is that such activity will not necessarily wreck either government or business.

I believe this because of the counterbalancing influences which are certain to hold such regulations in proper restraint. We must not forget that the power of the government is with the people, with those who have the votes, and as these become more and more the owners of an increasing amount of the Nation's wealth,

they will see to it that that wealth is not confiscated or unnecessarily disturbed.

Yet another group who are seeing things in our present situation and have been seeing them in every situation for a quarter of a century or more, is the so-called labor group. Is their protest justified? Were their working conditions ever so good? Were their hours ever so short, their day so properly divided in equal proportions for work, recreation and rest? Were they ever so generously and well paid? Yet the laborer asks long and loud for a living wage. Just what that wage is I do not know, and I have never seen a satisfactory answer.

Wage Increases

IT has been often pointed out that the effect of a wage increase in one industry increases the cost of living to all those in other industries who purchase the products of the factory which has granted wage increases and that the cycle of increasing costs thus once begun can only end in bringing the cost and the price of all products to a point where demand is curtailed, activity is restricted, and business suspension is rendered inevitable. If labor will keep these facts in mind, and if those in charge of capital in productive enterprises will consider the public in the pricing of their products, it may be that a fair distribution of profits will be brought about.

The most promising sign of the coming of that day is, I think, to be seen in the ever increasing number of employees who are acquiring stock in the concern by which they are employed.

Probably the largest and certainly the most thoroughly advertised group which has been seeing things in recent years is composed of those who have sought and are seeking to exploit and capitalize the misfortunes of those engaged in agriculture.

No wonder the farmer is on the war path, seeing red.

The real facts, as all those who have studied the situation know, are that the farmer like all others engaged in business activities prospered tremendously in the period from 1916-1920. Like all of us, also, he had speculated in every way. He was imbued by a feeling, common to the rest of the population, that the boom would never end. He bought liberally of tools and equipment and reached out for more land. For this he incurred debt just as the business man incurred debt for building and inventory; and when the inevitable slump came and values evaporated he lost just as the business man, the bankers, and everyone else lost. The only difference was, his losses were promptly advertised and magnified to such an extent that he came to feel that he was the only loser in the gamble of prosperity.

No one told him of the losses and financial wrecks of business and industry. I doubt if he has ever been told that during 1920 there were 8,881 bankruptcies, with liabilities aggregating \$295,121,805; in 1921, 19,652 bankruptcies, with liabilities aggregating \$627,401,883; in 1922, 23,676 bankruptcies with liabilities aggregating \$623,896,251; and for the first seven months of 1923, 10,955 bankruptcies with liabilities aggregating \$295,145,256.

The Government in Business

By GEORGE E. ROBERTS

Vice-President National City Bank of New York

Call for Supervision and Regulation of Various Industries Due to Economic Unrest and Lack of Understanding by Employees of Present Complex Business Relations. Failure of Federal Railroads and Shipping Operation Cited as Examples.

THE world is gradually recovering from the disorganization and losses inflicted by the war, but besides these results the war has left a legacy of ideas which are only slowly overcome. The war itself was tremendously costly, but I think it not too much to say that the losses resulting from the general state of demoralization existing since the war have been greater than the direct cost of the war. All of the disorder and confusion has not been due to the war; there was a lot of disorder and confusion in industry before the war. There had been an increasing tendency to social discontent and criticism of the existing order, and the war, with its emergency measures for government control over industry, and its political upheavals, gave a great stimulus to socialistic agitation. It has been a great time for social reformers and revolutionaries of every type. They have been busy everywhere, and governments have been embarrassed, and the recovery of industry has been retarded by their activities.

Moreover, we have to recognize that as population increases and relations become more complex, our social problems in some respects become more difficult. People must live more closely together, they must have more to do with each other, and they must be more dependent upon each other. The primitive man did everything for himself and he was independent, but modern society has developed a highly complicated organization in which we are all specialists, each doing some one thing and exchanging products and services with each other. It is a highly efficient organization when it is running smoothly and in balance, but it is an interdependent organization; it is like a great machine in which every part is dependent upon every other part.

I think most of our troubles are due to the fact that we have developed the industrial organization beyond the understanding of the common man. He doesn't understand his own part in it, he doesn't understand the benefits he derives from it, he doesn't know much about the economic laws which govern it and which control at last the distribution of benefits. The primitive man knew that the harder he worked the more he would have, and when a man exchanged work with a neighbor he had the whole transaction under his eyes; but when a man works with thousands of others for a great corporation, he doesn't see his relationship with other workers, or any definite relationship be-

tween what he does and what he gets; he doesn't know whether he is getting a fair share of the industrial results or not, and he suspects not.

Now, there is our industrial situation, and it is no wonder we have trouble with it. The modern industrial system is essentially cooperative, but you cannot have effective cooperation without understanding. You cannot expect masses of people to be loyal to something they do not understand, and because people do not see the industrial organization as a whole we have the tendency for society to break up into groups and blocs and unions and organizations of one kind and another, many of whom are trying to advance their own interests at the expense of society as a whole, with the result that the benefits of organization are in large degree lost.

Danger of Breakdown

NOW, of course, we cannot do away with the modern industrial organization. The population of this country today could not be supported in the state of comfort to which it is accustomed without the modern organization. Somehow or other we have got to bring the people to a better understanding of the economic laws which control the system and which, if allowed free play, will afford protection to every interest. The highly complicated system simply will not work, it will break down, unless there is a broader understanding of the fundamental principles upon which it is based.

H. G. Wells, the British writer, came back from Russia profoundly pessimistic about the future of civilization in western Europe and in the United States. He says that it is a race between education and catastrophe, that what happened there will happen everywhere unless there is a development of the capacity of people to work together and understand each other.

The government of Russia was a bad government, arbitrary, inefficient and corrupt, and it is easy to understand that the people might revolt against it; but the revolt was not simply against the government; we have to recognize that in its final form the revolution in Russia was against what is called the capitalistic system, or in other words, the private ownership of property and the private direction of industry, and we cannot ignore the fact that that movement has had the sympathy of great bodies of people in all countries, including the United States.

It is true that the results of the revolu-

tion are so calamitous in Russia as to give a check to revolutionary tendencies in other countries. The great body of the people in the other countries of Europe have been warned against Bolshevism, and yet the economic principles of Bolshevism are influencing public opinion more or less everywhere.

In Great Britain the Labor Party is now the regular opposition party, and a few months ago it formally proposed in Parliament a resolution which after setting forth the unemployment existing in England and other deplorable conditions resulting from the disorganized state of world trade, proceeded to declare that these afforded proof that the capitalistic system of industry had broken down, and that the government of England should now proceed to gradually take over all the industries of the country and operate them in the future.

And that resolution was seriously debated through two sessions of the British Parliament.

Furthermore, if we care for institutions we cannot afford to ignore the fact that agitation to that end is being carried on with fanatical fervor all over this country, and that thousands of people who would not give their approval to such extreme policies are helping them along by favoring the continual extension of governmental activities in business affairs.

The motive behind all this agitation is the desire to establish equality. The social struggles of the past have been for political equality, to secure for all men equal voice in the government, and that has been accomplished, but it does not give people what they want. Now the demand is for equality in possessions, equality in incomes, equality in the management of industrial affairs. It is important to understand whither we are tending.

Exposing Fallacies

THESE ideas result from certain economic fallacies that are commonly accepted, and if we are going to successfully defend the existing order, these fallacies must be exposed. One of the chief of these fallacies relates to the employment and service of private capital. The whole radical argument is based upon the theory that all of the wealth employed in industry benefits nobody but the owners. It proceeds upon the theory that all of the increasing supply of goods and services resulting from the investment of private capital is absorbed and consumed by the

capitalists. It is like claiming that nobody ever got any benefit from the development of the steam engine but the owners of steam engines, or that nobody ever was benefited by the construction of railroads but the persons who had railroad investments, or that nobody had gained by the development of the textile industries but the owners of stock in the mills, and so on around the circle of the industries. Of course, the theory only needs to be stated for the fallacy to be apparent.

It is a fundamental truth that all the productive property of the country, although privately owned, is part of the equipment of society, by which its wants are supplied. It is doing the same work that it would do if it was owned by the State, and probably doing it more effectively.

The people who advocate Government ownership of the railroads and other industries usually have in mind that the public will thereby avoid paying profits to the owners. They overlook the fact that if there were no surplus earnings, nothing left over after paying expenses, there would be no capital for the improvement and enlargement of these services and no industrial progress.

If we had a socialist regime, with all the industries owned by the Government, all this equipment would have to be provided by reserving capital from distribution, just as now.

The real measure of the distribution of the proceeds of industry is not by ownership or income, but by consumption. That portion of an individual's income which is turned back into productive employment is devoted to a social purpose, just as much as though it was employed for that purpose by the Government. It is only what a man consumes that is devoted to himself or withdrawn from the common supply.

The final test between private ownership and private management of business and public ownership and management is to be found in results. The object of all business is to supply the wants of the population; which policy produces the largest supply?

The progress of the past has been accomplished under the individualistic system. The theory of this system is that every one shall have for his own, as nearly as may be, that which results from his own efforts. The merit is that it holds out over the entire population an inducement that appeals to every person, and that inspires him to labor, to produce and to accumulate by rendering those services to the community which the community is willing to pay for. It is a system calculated to stimulate the initiative, call out the energies and develop the ability of each individual. He is free as to his undertakings; there are no restrictions except that he must seek his own gains by activities that are serviceable to the community as a whole, and he is inspired to labor, not simply by the desire for personal advantage, but by the desire to provide for loved ones, by the impulse to self-expression, to realize and develop his natural abilities, and by the ambition to achieve, to win distinction and to render service. In short, the system of individual freedom and of reward according to achievement makes use of

every possible motive to stimulate individual effort and develop individual capacity. It does not promise equality. Unless there is equality in production, in service, in effort, in resolution and in self-denial, why should there be equality in the division of results?

Leadership Needed

THE justification of individualism, however, is not merely in what it allows to the superior individual, but in the results that inure to all. It is in the interest of all to secure the most effective organization, the most effective management and the largest possible production. That cannot be had by adopting the fiction that all have equal ability for any position or by any other system than that which judges men by their individual qualifications.

The modern world cannot get along without organization and leadership. There must be executive authority to give direction to industry. Whatever the system of ownership may be, there must be men who give instructions and men who obey instructions. How are the leaders to be selected? Shall it be by lot, by political methods, by military despotism?

In the business world today the positions of leadership and responsibility are held by men who have been advanced to them under a system of competition and elimination. The test of fitness is an economic test, a test of ability to produce economic results—and the fact that, as a rule, the men in positions of responsibility have come up from the ranks is proof that the system is fundamentally sound and effective. Society cannot afford to change from the economic test of leadership to any arbitrary or political system of selection. There would be a lessening of incentive throughout the economic organization, a loss of ability in management and a loss of productivity everywhere. These results are quickly seen in any organization where favoritism or the strict rule of seniority governs promotions.

The chief significance of ownership is in the degree of control that it gives, and private ownership of productive property is based upon the theory, supported as it is by experience, that the control which goes with ownership is favorable to the largest production. Ownership, before the modern systems of taxation were devised, gave control over income, and men who have had the ability to acquire ownership of industries and to make them successful, usually have desired to devote the incomes largely to the improvement and enlargement of them, in order to supply increasing public demands. The industries of this country have been developed and built up mainly by such application of income. This increased supply of capital has created an increased demand for labor on the one hand, and on the other hand has furnished an increased supply of the comforts of life for the population. The fact that the available supply of capital has increased faster than the labor supply has been a constant influence in increasing the wage rate, and the increasing use of capital in production has been the most potent agency for increasing real wages and for raising the

standard of living for the entire population.

In what way is it likely that surplus incomes from the industries could be more effectively used to advance the common welfare than by allowing the owners, under whose direction these industries have been successful, to use them for enlarging production? At what stage of the careers of Thomas A. Edison, Henry Ford or Andrew Carnegie would it have been to the advantage of the public to have had the Government step into their establishments and say that henceforth all surplus income should be diverted into the public treasury, to be disbursed by officials at Washington? Men of this type, who have demonstrated their capacity for industrial leadership, are the men who carry society forward; they are the men upon whom dependence must be placed for such an increasing capacity in the industries as will meet the needs of a growing population, and at the same time satisfy the aspirations of the people for a rising standard of living. To take out of the hands of the leaders in industry the surplus incomes which they would invest for industrial development is to take from them the very means by which they do their work.

Critics of Present Order

THE critics of the existing order base their attacks mainly upon what it fails to accomplish. They say that although it has enormously increased the capacity for production, it has not abolished poverty, it has not provided decent living conditions for all the people, it has not furnished steady employment for all the people, it has not stabilized industry or been able to prevent recurring periods of depression and disaster.

It is true that social and economic conditions are by no means ideal, but it will be found that most of the conditions upon which criticism is based are not properly chargeable to the industrial system, but result from the degree of individual liberty that the system permits. Almost without exception the persons in every breadline have seen better days, and need not have been there if they had observed the common dictates of prudence or the rules of life which other people have felt under obligations to follow.

The great feature of the existing order is individual liberty. The individual is free to order his own life and affairs as he likes, so long as he does not interfere with rights of others. He may be indolent or industrious, thrifty or profligate, venturesome or cautious in business affairs, as he pleases. Upon his own choice in these matters, to a great extent, depends his business success.

He is expected to find his own place in the industrial organization. It is up to him to determine how he shall make himself useful, and there is no place for him except as he can make himself useful. There is no overhead authority to tell him where he shall go, or what he shall do, or what he shall get for doing it. That is all left to mutual agreement, and it is true that people have trouble about agreeing with each other.

We have costly strikes, which in some instances seriously interfere with industry, and inflict not only heavy losses upon the community but suffering upon many homes, because men are at liberty to refuse to cooperate except upon terms agreeable. The right of men to disagree is one of the most common causes of industrial disorder. We cannot have the benefits and privileges of liberty without the disadvantages that go with it.

Such irregularity as exists in industry, including periods of depression and unemployment, are due to the psychological tendency to mass action. There is a psychology of the crowd, a tendency of people to act together. It is what the great body of people do in the management of their private affairs that makes the business situation, and when there is a general tendency to overbuy and overborrow, it is certain that a contrary movement will follow, sooner or later.

In short, we live under a regime of liberty, with the privilege of judgment and action. We must either assume the responsibility of managing our own affairs or we must create some overhead authority to judge and act for us. Wouldn't we rather take the responsibility for our mistakes than be moved about like automatons and have every act of our lives regulated by the Government?

The greatest thing in this world is liberty—freedom to exercise and develop our powers—freedom to make mistakes, for we learn by our mistakes. The race has progressed through its experiences and by its experiences. We want the free play for all our faculties; we want the incentives of life, the opportunities of life and the experiences of life, for by these come the development of character.

Business Routine

THERE are people who look upon business life as a sort of a routine performance, doing the same thing over and over. They think that running a railroad is just moving a given number of trains back and forth daily. They don't see any reason why the Government should not run the railroads. The same people think that big profits are obtained by charging high prices, that large profits are proof of high prices; whereas in all really notable instances, large profits have been due to low costs, low prices and large volume of business. Every great success in the business world is based upon notable service.

There is a fascination about the idea of having all industry and all trade and services systematized and regulated from above, but it is a delusive idea. It rests upon the idea of routine, regularity. It conceives of industry as static, whereas it is dynamic. It is changing all the time; no business can remain successful unless the management is progressive. A sound public policy will promote changes, by offering rewards for them.

Let anyone go about this country, see the variety of industries, take account of the changes being made, the new ideas being introduced, the multitude of experiments being tried, and conceive of an effort to direct all of these activities from Wash-

ington. It isn't possible for the Government to do all the thinking for the people. It will do well if it keeps out of the way.

The government of a great country seems to embody so much power that illusions about what it can do are quite natural; but a government is no wiser than the individuals who compose it. In the last analysis the proposal that the Government shall exercise its authority in a given matter means that a given individual, or a few individuals, shall have that authority, for which they may or may not have suitable qualifications. The kind of ability that makes a man successful as a candidate for office does not necessarily make a man successful as an administrator of business affairs.

Moreover, the very atmosphere in which government functionaries live is unfavorable to the rendering of judgments upon economic considerations. It is a political atmosphere. The whole situation is sicklied o'er with—the pale—or red—hue of politics. In an address before the Canadian Bar Association a few days ago, Secretary Hughes said of one of the embarrassments of his office:

"those in charge of foreign affairs do not dare to undertake to negotiate agreements because they know that in the presence of attack inspired by political or partisan motives the necessary adjustment could not receive approval of the legislative branch and would evoke such an acrimonious controversy on both sides that matters would be made worse instead of better."

In short, every act of an administration is viewed by its adversaries, and is likely to be considered by officials first of all upon its probable effect upon values. Not what will be the economic effect, but what is likely to be the effect upon the next election.

We have pending at the present time an official investigation into the propriety of permitting the merger of two great meat-packing concerns in Chicago. The merger actually took place months ago. It was a result of the very heavy losses sustained by the packing industry over several years, and was instrumental in raising new capital and saving the packing industry and livestock industry from a crisis that might have had far-reaching effects. This is a striking illustration of the utter lack of sympathetic and practical relationship between the Government and business. I do not say this in criticism of the official who is causing the investigation to be made, for he doubtless feels that he has a duty to perform, but failure to carry through the merger would have been a calamity, and in addition, to all the other uncertainties that had to be considered in trying to avoid that calamity, was the question of what a government official might think it his duty to do in the premises.

Government Inaptitude

EVERY venture that the Government makes in the field of business shows this inaptitude for such affairs. It took over the railroads for operation during the war, and it may be allowed that an emergency existed in the affairs of the Government which justified the action. The Government undoubtedly possessed powers of coordination which the companies did not have, but if there were any resulting

economies they were swamped in the whirlpool of losses. The Government administration ran behind in the sum of \$1,800,000,000, which the taxpayers of the country are obliged to make good. It is true that this was not entirely an economic loss, for it was due in part to failure to increase charges, but in this it showed the characteristic weakness of governments, in failing to do business on business principles where public opposition must be faced.

A large part of the excess expenditure was pure waste in dealing with the labor question. The number of employees on the payrolls steadily increased under Federal control, and after the roads were returned to private control the number was steadily decreased until in the last six months of 1922 the railroads were handling as much traffic with four men as the Federal administration was handling with five. This tendency to over-man the roads has been still more pronounced with the government-owned roads of Europe. It may be added in this connection that in the last two years the Canadian National Railways have lost \$132,914,123, which the taxpayers of Canada have the privilege of making up.

Government regulation of railroads is a striking example of regulation guided by political rather than economic considerations. Regulation has been carried to the point where it is practically impossible to raise money for railroad improvements by selling the stock of the companies. The strongest companies are still able to borrow, but investors do not want a proprietary interest in them.

Shipping Failure

THE United States adventure in the shipping field affords abundant material for study. Of course, nobody would charge the entire loss on the investment in ships to mismanagement. The ships were built as a war measure, and if the Government had proceeded to get out of the shipping business promptly at the end of the war, the loss to that time would be properly chargeable to the war account. The ships might have been sold at good prices, and a large part of the loss which is now faced thus averted. The total investment in ships was about \$3,500,000,000. The aggregate amount received upon sales is not given, but the last report states that on June 30, 1922, the Government owned 1275 steel ships, which cost about \$2,500,000,000. It owns about the same number today, of which about 900 are laid up, and a recent Washington dispatch says that the aggregate value of the entire fleet is estimated at \$226,733,315. The shipping operations have been running behind at the rate of about \$50,000,000 per year. The characteristic official view is presented by one of the commissioners in a recent speech, in which, replying to a statement that the Government ships were carrying grain at a loss, he said: "Of course we are carrying grain at a loss, but the loss goes back to the American farmer." The same theory upon which the government-managed railroads carried freight at a loss! Freights were kept down to the shippers, but charged up to the taxpayers, who could be reached by a different kind of a levy.

Of course, the problem of utilizing the ships is made far more difficult by the terms of the Navigation Act, through which Congress has laid regulations upon all American shipping which handicap it in competition with the ships of other countries. In view of the past record of the Government fleet and in the face of the Navigation Act, it does not seem out of place to suggest that the remainder of the fleet be placed in charge of the navigating officer who directed the course of the flotilla of destroyers which landed on the California coast a few weeks ago, with instructions to do his worst.

Postal Cost System

THE postal service is the reliance of people who advocate government operations. The postal service has a great many faithful and capable men, but the management does not undergo the test of competition. Nobody claims that the charges are scientifically adjusted to the several branches of the service. It is notorious that some branches lose money and others make a profit, which means that one class of patrons pay for the services rendered to others. Nobody knows what the postal service costs. The Government reports don't show, for a large part of the expenses are paid from outside the postal appropriations. There is no charge to the postal service for the use of the government buildings in which post offices are located. The cost of fuel, lights and janitor service are not charged in postal expenses. Government business is not under the necessity of paying its way.

The Government navy yards, arsenals, gun works, and mines are none of them model industrial establishments. None of them could make their expenses in competition with privately owned rivals. Few employees anywhere expect to work for any government as they would work for a private employer. As a protection against political influence appointments in the Government service must be made from a civil service list, and removals must be by formulating specific charges. The effect is to limit the authority of the appointing officer, and to a great extent relieve him of responsibility for his force. When it comes to filing charges against a subordinate, the subordinate may retaliate by filing charges against his superior, so that is about a standoff.

In all the countries of Europe in which socialism ran riot in the years following the war there has been a revulsion of sentiment, as a result of the demonstration that government-management is not economical management. Even Russia, under the pressure of necessity, is going back to private management. In this country we have the demand for the Government to become more intimately concerned in the management of the Federal Reserve banks, but in Europe, where the central banks have been made subservient to government policies of inflation, the central banks are being removed from government influence. In Austria, under the League-of-Nations plan for reorganizing the monetary system, the bank of issue is made wholly independent of the government, and in Germany a similar reform is proposed.

Even in Russia a new currency has been provided, issued by the State bank, with the pledge that issues will be solely upon banking principles. Everywhere it is being recognized that the political agencies cannot be trusted to deal with the monetary system.

Government Regulation

PROPOSITIONS for government regulation of industries are more plausible and insinuating than for government ownership and management. There are certain functions of supervision and regulation which the Government must perform. In the case of natural monopolies, such as the railroads and certain public utilities, where competition is impracticable and undesirable, there must be resort to regulation by public agencies, but these agencies should be as strictly as possible of a judicial character. Their purpose should be to maintain just and equitable relations between the privately owned agencies and the public whom they serve. Experience has demonstrated how difficult it is for these politically created bodies to maintain this position. Theoretically these bodies are supposed to have information not available to the general public, to know the authentic facts, and to not only act without prejudice or favor, but to inform the public and correct the misrepresentations which so often influence public opinion. Too often their findings, if opposed to the popular view, are overwhelmed by a storm of protest and clamor, and it is exceedingly difficult for public officials to withstand the pressure of public criticism. It is commonly the case that the persons named for membership on public commissions have been more or less active in politics, and are looking to political advancement. It is a noteworthy fact that at the very time the meat-packing industry was under investigation several members of the commission conducting the investigation were active candidates for higher political offices in the States of their residence. It is not in human nature to be judicially minded under such conditions.

The tendency of these supervisory commissions is to become prosecuting functionaries, looking for opportunities to justify their existence in a sensational way rather than by quietly working upon the problems of economic organization and development. There is also an inevitable tendency for all democratic supervision over business to reach out for power and to endeavor to reduce business activities to an approved routine. There is an example of it in the ruling of the Federal Trade Commission that a company producing gasoline must not install gasoline pumps with retail dealers free of charge. The Supreme Court disposed of that ruling, as it has of many others of the same kind, for which let us be truly grateful.

Dr. Charles W. Eliot, President Emeritus of Harvard University, a few days ago, in an article upon Education, gave warning that there was too great a tendency to standardize education, and he added that there was too great a tendency to standardize industry. The idea embodied in standardization, regularity, uniformity, has its place, but it is out of its place whenever it restrains the free play of in-

itiative, originality and the competitive impulse. We don't want the methods of business standardized by government officials, save as restraint may be necessary to prevent deception and fraud.

I repeat that this is no argument against government supervision and regulation in the limited number of cases where competition is impracticable, or in cases of great emergency, where the competitive forces are temporarily restrained. Undoubtedly as society becomes more complex it will be necessary to resort more and more to regulative agencies. All the more reason, therefore, why these agencies should be cautiously developed and guarded against impatient and misinformed clamor. They should not be overloaded with functions. They should not be subjected to pressure which they cannot be expected to withstand. The exercise of supervisory authority over business is in large degree experimental and depends for success upon the development of a just sense of the true public interest.

Economic Upset

THE clamor for official regulation of business is due in large part to a lack of understanding of the effectiveness of the natural economic forces. There are few lines of business in which these forces are not amply sufficient to protect the public. In normal times there are few instances of unusual profits where competition does not quickly result or other corrective influences are not brought into play. The interference of government officials where natural forces are likely to be effective in due course, often has the effect of nullifying these influences and of throwing the whole situation into confusion. Such activities as the attempted regulation of trading in futures on the commodity exchanges simply add further elements of uncertainty to the price situation. Business men are obliged to take account not only of all the natural risks in which such trading is involved, but the possible effects upon the market of official action besides. Of course, in the end the public pays for every obstruction to business that must be surmounted and every risk that must be carried.

It is for the business men of the country, who have been alarmed by the tendency of legislation to restrict and hamper individual initiative and to exert a leveling pressure upon the whole body of society, to make their opinions known and their influence felt. It may as well be added, however, that they will not be able to exert much influence unless their efforts are directed by the broad principle, that the public welfare should be the first consideration all of the time, and that they want no special policies for their own advantage at any time. It is not uncommon to hear a business man declaiming that the Government should stop interfering with business at the same time clamoring that it should regulate some other business than his own, or pleading that governmental authority be used in some other way to his advantage. There must be genuine faith in the efficacy of natural forces to regulate the business situation and willingness to let natural forces have their way. (See page 223.)

Problems and Policies of the New York Stock Exchange

By SEYMOUR L. CROMWELL
President of the New York Stock Exchange

Organization Will Abandon Defensive Attitude and Fight With Facts Against Its Foes Who Seek Legislative Supervision. Safety Lies in Autonomy. Bankers and Editors Will Be Welcomed to Study Operations and Men Who Govern It.

I PROPOSE to discuss with you today the business of the Stock Exchange in relation to the public interest of the American nation. Some time, I hope, I shall be able to appear before a gathering of this kind and not talk shop. There are many questions connected only in general with the Stock Exchange which I would like to discuss, but for the present I must stick to the narrower subject matter, which, as officials of the Stock Exchange we cannot, even if we would, put aside.

The operation of our institution has provoked and still provokes so much public comment and is the occasion of so much misunderstanding that we must call public attention to it whenever and wherever we can. My object in discussing the Exchange and its problems with you today is to remove some of this misunderstanding and to seek your cooperation in explaining to the people of the United States what the Exchange is and under what conditions it can best serve the interests of its clientele, which is the whole American business community.

I have a further purpose in directing your attention to the operation of the Stock Exchange. This institution is not only discussed and misunderstood, it is bitterly criticised and attacked. For the most part we have submitted to these criticisms and attacks and merely done what we could do to repel them.

We have acted scrupulously on the defensive. But instead of moderating, they have become from year to year more threatening until they are now made the excuse for legislation which, if it were enacted, would seriously and perhaps fatally cripple the Exchange in the performance of its major functions.

Exposure of Enemies

WE shall not act on the defensive any longer. I intend later in this address to announce a new attitude and a new policy on the part of the New York Stock Exchange. It will no longer submit to unwarranted attacks from doubtful sources without turning on its enemies and exposing them. It has nothing to hide. It has everything to gain from publicity. Its opponents have everything to lose. Hereafter it will employ this weapon to the very limit.

It will give nationwide publicity to the nature of the attacks which are being made upon it, to the character of the attackers and their frequently disreputable motives, and to the doubtful purposes which they are hoping to achieve. And as you will see later the weapon is likely to be effective. Whenever we are forced to use it, those who are trying to injure the Exchange will find it difficult to protect themselves. Their own actions have made them vulnerable.

Autonomy Is Necessary

WHAT is the New York Stock Exchange? Briefly stated it is incomparably the greatest market for securities in the United States and, with the possible exception of the London stock market, the greatest market in the world. There is no question that the highest standard of business conduct prevails on the Exchange nor that the methods there prevailing serve the interests of the public better than any system that can be devised.

The Exchange has grown up under a system of free government. It has no charter from the State, it has no special privileges, it exists by virtue of the contract between its members incorporated in its constitution. The success of its management is due to its autonomy. Men of character and experience are willing to devote their ability and time to its service.

The principle on which free government is founded is that all who are conducting their business in the best interests of the public should be left to conduct their business without interference by the State. The Stock Exchange claims that it has done better under its own government than could possibly be expected under any sort of State control or supervision, and in the light of its success it asks that it be left free from bureaucratic interference.

When I speak of the Exchange as the people's market I do not say something that has a doubtful meaning. I took the list of stocks listed on the Exchange the other day and out of curiosity began to figure how many kinds of goods—if I may use the expression—there were on our shelves. In a short time I had figured up one hundred and fourteen, ranging from aeroplanes, air-brakes, asphalt, automobiles, bread and cake, cement, cereals, collars, shirts, leather, sugar, silks, salt, ribbons, tinfoil, typewriters, varnish, underwear,

down to cardboard, patterns, yeast, writing paper and fire engines.

Just imagine a great department store with one hundred and fourteen separate shops and the goods represented in those shops available on short notice to any person situated in any part of the world. It is the listing of the stocks of the companies owning these goods, on the New York Stock Exchange, which permits the development of industry and the distribution of the goods themselves.

I am not going to discuss today the economic functions of the Exchange, but when criticism is made of the amount of Stock Exchange loans, I want to call attention to the tremendous increase in the number of commodities listed on the Exchange as a consequence of the large number of partnership firms that have during recent years been incorporated. This will account for an important total amount of new securities that have come on the market, and as a result I believe it may safely be said that to a large extent the commercial loans of yesterday are the Stock Exchange loans of today. It is therefore only just that we should not measure present day Stock Exchange loans by former standards.

Has Fought Alone

THERE were listed on the New York Stock Exchange on June 30, 1923, the securities of 630 companies representing 892 issues of stocks and having an approximate value of \$24,000,000,000. There were also listed 1669 issues of bonds of 688 companies, governments, etc., representing more than \$18,528,000,000. This latter amount does not include \$20,000,000,000 Liberty Loan bonds. These vast figures give you some idea of the New York Stock Exchange. Much of the antagonism to the Exchange is begotten in economic ignorance.

The Stock Exchange operates in terms of capital instead of in terms of commodities, and that is why I wanted to point out to you what a large number of commodities are represented in the capital in which the Stock Exchange operates. All progress is conditioned on public understanding, and until we have such understanding of the purposes and functions of the New York Stock Exchange it cannot fulfill its natural purpose, which is to supply one of the great elements in the prosperity of the country.

The Stock Exchange is an ally of law

enforcement. It is seldom, however, in recent years that the Stock Exchange has been called upon or even permitted to cooperate with law enforcement officers. In the thirty-year-old fight which the Stock Exchange waged against the bucketshops its chief obstacles have been the inertness and lack of cooperation of many public officials.

The Stock Exchange destroyed through its own efforts the old "clean sheet" bucketshops, and it is bending all its energy toward ending the operations of the new type of swindle. This new bucketshop is a more sinister affair than the old, not only because it steals the people's money as it was stolen in the old days, but because, in most cases, it has an underground backing of tremendous influence and weight, because it is supported by men whose position in the community has the appearance of being free from any taint or connection with such vicious operations.

Legislation which has been proposed in recent years has been aimed not at the bucketshop or stock swindlers, but for the most part at the New York Stock Exchange. That practically every legislative proposal of recent years has been applauded by crooks and swindlers; that the indorsers of this legislation aimed against the security of the Exchange have been men known to be engaged in bucketing business, amply justifies the suspicions with which this legislation must be regarded.

Licensing Helps Swindlers

THE New York Stock Exchange has opposed certain proposals for legislative regulation of stock trading because such regulation would have destroyed the autonomy of the Exchange, opened its doors to the dishonest, paralyzed its discipline and unloaded a horde of politicians and potential criminals upon it. I do not say that the men who drew up the legislation realized the effect of the laws they

would have enacted but I do state that the position of the Exchange has been sustained and verified to the letter by the damning revelations of the past few months.

Among the proposals of those who would regulate the New York Stock Exchange through political bureaus were licensing of brokers, examination of books, restriction of the use of securities by firms in the matter of loans, and regulation of the issue and sale of securities. With the last the Exchange has nothing to do except in a general way to oppose laws which might interfere with free markets for legitimate securities offered in the State of New York.

Let me say in the very beginning that licensing and examination of brokers' books would open up to swindlers and that peculiar breed of politician who herds with swindlers the richest graft in the history of the nation. Licensing has been advocated by men of the highest honesty and with the keenest desire to do everything that will protect the financial markets, but these men have not figured out the effect which will follow from the use of a system which cannot possibly be effective and which can be and will be destructive.

The whole subject of licensing brokers was considered by a Commission appointed by Governor Smith in 1919. This Commission was most carefully selected and was composed of men conversant with the subject. In the report of the Smith Commission there appears the following concerning licensing:

"The objection to a law of this character is that every citizen should be free to enter into any legitimate business that he sees fit; and that to require a licensing system and to confer power upon some State official to grant or withhold a license, is an abrogation of individual rights and liberties, is un-American in principle, and has been frequently denounced by the courts."

This is the conservative opinion of a com-

mittee of men who impartially and at length studied the question. Licensing will not eliminate the fraudulent or unscrupulous dealer in securities, but, on the other hand, it will aid the swindler. He can swindle the public much more readily if he is operating in virtue of a State license, which to the indiscriminating public would be a State guarantee of both his own legality and the merits of the securities offered.

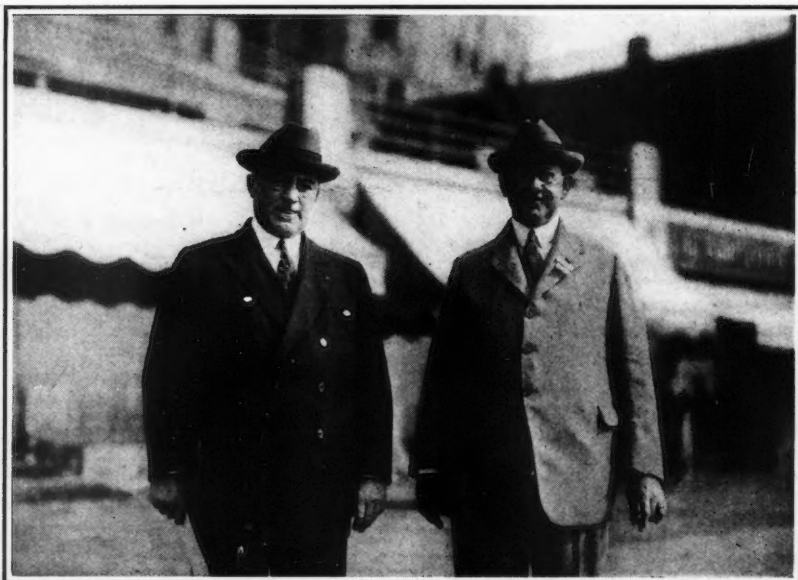
You cannot prevent crooks or prospective crooks from obtaining a license. A political body issuing licenses will naturally take political references first and general references second. When the Stock Exchange cut off its quotations from Messrs. Hughes and Dier, a bucketshop, men of the highest political, financial and social standing wrote letters to the Exchange urging that the wires be restored; there were personal interviews, telephones and every kind of pressure and solicitation from men whose name and record meant much in the community. The Exchange denied these demands; would a political license bureau have done as much?

Power to License

IF you have been following the New York papers during the past few months you may have noted the queer mix-up between politicians and the bucketshops. Would you give to these gentlemen—the angels behind the bucketshops—the power to grant licenses to brokers? Would you permit them to force the New York Stock Exchange to admit to its membership men known to be crooks?

LET me read you a statement by a man prominent in the political life of New York State, a man of national repute, clean in politics and business, active in public life and familiar with all the forms of politics. He was asked whether he would approve of a law licensing brokers. This is what he had to say:

"I shall fight a law licensing brokers as long as I am in public life and even when I am out of it. It would mean a deluge of licensed crooks. It would mean that every public man in the State of New York would be under continuous pressure to approve someone whom he did not know and who was actually a crook. Suppose I have a friend, Mr. X, who is a banker, and he has a friend, Mr. Y, who is a business man who deposits with him, and Mr. Y has a man who buys goods from him, whom we shall call Mr. Z. Through some combination of circumstances Mr. D, a crook, knows Mr. Z, and gets him to ask Mr. Y to ask Mr. X to ask me for an indorsement. I am under social, political, and maybe financial obligations to Mr. X. Shall I indorse Mr. D and get him a license and be responsible for having put a crook in a position to steal? That is not a far-fetched illustration. It would be a common one. Licensing would mean a restriction of the usefulness of honest brokers and the overwhelming of the security business by crooks wearing the badge of decency which a State license would impress upon them. Licensing would mean the licensing of the unfit and the chances are that any such license bureau would fall into the hands of shady politicians. That is why I oppose and will always oppose this great potential graft



At the Convention: Congressman L. T. McFadden, President First National Bank of Canton, Pa.; Rollin P. Grant of the Irving Bank—Columbia Trust Co., New York

game of licensing brokers. It is not merely foolish, it is futile and dangerous."

Objection to Licensing

A NEW YORK newspaper which has been carrying on an intensive campaign against our most prominent bucketeers and which supported a licensing bill last year gravely makes this suggestion:

"Some people are discussing with interest the possibilities of graft in a licensing and examination system run by politicians. * * * Such examiners and licensers would possess a 'nuisance value' which, skillfully exercised, could realize handsomely in cash. * * *

The members of the New York Stock Exchange object to a licensing system for the reasons already stated and because a great part of the indiscriminating public would put all holders of a State license on a parity: men of questionable probity would be placed on a level with men of accepted character and unquestioned solvency.

In reality, licensing is merely a prelude to the examination of brokers' books. The question is often asked: The books of banks are subject to examination; why not the books of brokers? A very great distinction exists between the banker and the broker. Brokers are agents for their principals. The business of a banker is primarily the business of the bank and involves the affairs of its depositors only incidentally.

The business of a broker is the business of his customers and an examination of the books of the broker involves an examination of the private affairs of all of his customers. The examination of brokers' books is proposed as a means of protecting their customers, but the customers are the very people who would protest most vigorously against such disclosure of their private affairs. Business done by a broker for his customers is necessarily of a peculiarly confidential nature, to be guarded as strictly as the secrets of a lawyer or a doctor.

The examination of a broker's books would not afford the public any substantial degree of protection: licensing and examination of books might result in the improper use of information gained. As a result of the large force of inspectors that such an examination, however perfunctory, would require, the opportunities for graft would be limitless. The confidential information to which the examiners would have access might in some cases reach people disposed to make dishonest use of it. It would open the door to unlimited graft even if only one examiner out of fifty should prove venal. Consider the price the dishonest operator would pay to learn of the transactions on some brokers' books! Consider the opportunity to trade upon the knowledge obtained!

A proper and competent examination of a brokerage house takes much more time than the examination of a bank of the same relative size. This is because of the diverse and sometimes complicated transactions which occur in the brokerage business. The usual bank examination consists of a verification of assets, mainly physical inspection of cash, securities (stocks and bonds), discounted notes, etc.,

comparison with book figures and determination of sufficiency of total assets to meet liabilities, capital and surplus.

It would be a rare instance where a bank examiner would do other than accept discounted notes at face value or where he would confirm depositors' accounts. In a broker's office, however, a determination of the status of and a confirmation of every customer's account is one of the most vital points in the examination. Difficulties involving a brokerage firm may be brought about by partnership operations and would be discovered by inspection and verification of firm accounts. But a firm may also become involved through the operations of its customers, making imperative a thorough verification of every customer's account. The need for this and the labor involved is readily appreciated when thought is given to the status of the customers of a broker.

The legal relation is that of principal and agent. The business relation is that of debtor and creditor. It is at this point that the importance of thorough inspection and examination of the customer's account becomes apparent. Is the customer the debtor or the creditor? In many transactions carried on the broker's books the broker buys securities for the customer, the customer paying the broker only part of the purchase price. This is a margin transaction and the customer is indebted to the broker for the remainder of such purchase price.

The broker, however, is accountable and liable for the customer's equity. This equity may become endangered or even exhausted because of fraud, incompetence or deceit of partners or employees, injudicious credit allowances, etc., to the extent of impairing the firm's working capital.

Verification of customers' accounts, you can readily see, is a painstaking and lengthy process and is complicated by the diversity of transactions of customers, not only in various stock markets, but in many in-

stances in various commodity, future and spot markets, foreign exchange and money transactions.

A medium size bank with say one thousand depositors would present no particular difficulties to an examiner, but a brokerage firm with one thousand open accounts would present a complicated problem requiring a staff of examiners with high special training and an understanding of the various lines of business. As the number of brokers and brokerage firms in the State of New York is greatly in excess of the number of banks, an enormous staff of experts would be required for even a cursory yearly examination of every brokerage house.

Laws of Exchange

ON the other hand, the New York Stock Exchange, by means of its questionnaire, can detect evidences of irregularities or unsoundness in time to check preventable loss to the customers of its members, and this power is exercised to the fullest extent with the complete preservation of the secrets of the broker and client. Its staff of accountants are men who are selected for their character, their special knowledge and their intimate familiarity with the details of the brokerage business.

The last of the proposed provisions, to which I have alluded, is that which would prevent any member of the Exchange from pledging any securities belonging to a customer for a sum greater than the amount owed by such customer or to pledge the same with other securities belonging either to other customers or to the broker.

This does not aim at those cases where the broker pledges the customers' securities without his consent: it has always been contrary to law for a broker, without the consent of his customer, to pledge the customers' securities for more than the amount due by the customer thereon whether alone



Chief of Police of San Francisco D. J. O'Brien and W. J. Burns, Director of Bureau of Investigation, Dept. of Justice; Raymond J. Burns, President of Burns Detective Agency, at the American Bankers Association Convention

or with other securities. But it is the law of the Stock Exchange:

"That an agreement between a Stock Exchange house and a customer, authorizing the Stock Exchange house to pledge securities carried for the account of the customer, either alone or with other securities, either for the amount due thereon or for a greater amount, or to lend such securities does not justify the Stock Exchange house in pledging or loaning more of such securities than is fair and reasonable in view of the obligations of the customer to the broker." It is further the law of the Exchange:

"That no form of general agreement between a Stock Exchange house and a customer warrants the Stock Exchange house in using securities carried for the customer for delivery on sales made by the Stock Exchange house for its own account, or for any account in which the house or any general or special partner therein is directly or indirectly interested."

Protection by Exchange

THUS the Stock Exchange goes further than the law and prevents any member from pledging or loaning more of a customer's securities than is fair and reasonable in view of the customer's indebtedness to the broker.

But the proposed legislation is also intended to prevent a broker, who is a member of an Exchange, even with the consent and authority of his customer, from pledging the customer's securities along with other securities for even the amount owed by the customer thereon. One effect of this provision would be to make it impossible for brokers who are members of the Exchange to render to their customers the service which such customers desire, and would practically destroy the business of such brokers. It would discriminate in an extreme degree against brokers who are members of the Exchange in favor of outside institutions and non-member brokers with the result that the members of the Exchange would become mere floor brokers.

The greater part of the purchasers of securities on the Exchange are not in a position immediately to put up the full purchase price. They put up part of the purchase price and the balance is supplied by the broker, who must in turn borrow the money from a bank. As business is done, it is wholly impossible for the broker to borrow separately on the separate securities of each customer. It would be mechanically impossible because of the number and volume of transactions. It would be financially impossible because the banks require mixed securities as collateral. The result is that brokers must largely finance their transactions by making large loans, pledging therefor securities belonging to a number of different customers. Of course, in order to do this without violating the rights of their customers they must get their customers' consent, but customers who trust their brokers feel no hesitation in giving the consent which they realize is necessary to enable their brokers to render them the service they want.

Dangerous Bills

THE control of the Exchange over business transacted on its floor, its ability to prevent manipulation, wash sales, and all other improper transactions, would be very materially restricted, if not wholly lost, if this legislation were enacted. The principals in the transactions would be too far out of reach of the Exchange for it to exercise any degree of control over their transactions. The Exchange as a great institution, composed of firms of large capital and a wide clientele, would cease to exist. It would be a mere meeting place for floor brokers.

Everyone understands that neither honesty, intelligence, nor official efficiency can be legislated. It is a reassuring fact that in the past ten years every proposal to impose these onerous, futile and dangerous restrictions on the New York Stock Exchange has been defeated in Congress or in the New York State Legislature. These provisions were defeated because study revealed the fact that they were deadly and useless.

A bill was introduced in the winter of 1913 in Congress which would have incorporated the New York Stock Exchange and put it under the complete control of political forces, taking away from it the power to regulate its own doings. The bill was beaten in the spring of 1914. During the critical days at the end of July of that year, when the great war broke out, the Exchange was compelled to close to prevent a panic and to conserve the finances of the country. If that bill had passed in the spring of 1914, and if the Exchange had been incorporated, any individual could by injunction have prevented the closing of the Exchange and thus have precipitated a panic which might have crippled the country's resources.

Post Office Points Way

THERE are ten thousand new laws annually which go on the statute books only to be forgotten. There are laws on the statute books of the State of New York covering bucketing, conspiracy to defraud, sale of fraudulent securities, and the other forms of this kind of larceny. Why are they not enforced? The Postoffice Department today is demonstrating what it can do with the fraud laws on the Federal statute books and is driving stock swindlers out of business throughout the country with a very small force and with a very small appropriation. Its success is due entirely to the fact that Postoffice officials mean to put these crooks out of business, that they desire to keep them out of business; they do not seek the alibi of new legislation.

In law enforcement rather than in new laws lies the solution of the bucketshop problem. Bucketing, stock swindling, fraudulent promotions, are not new. Petty larceny and grand larceny and conspiracy remain the same. The cure is jail sentences; a determined effort by legal officers of the State to enforce the law. Bucketing is larceny and can be punished under the present laws.

Here are some facts that may interest you. E. M. Fuller & Company—the name should be familiar to you—one of the largest bucketshops, failed in the summer

of 1922. The District Attorney of New York County obtained soon after the bankruptcy thirteen indictments each against Fuller and McGee, the partners in Fuller & Company. Fuller and McGee obtained separate trials. The trial of Fuller began in the fall of 1922. The judge dismissed the first grand larceny indictment against Fuller without sending it to the jury.

Bucketing Cases

THEN followed three trials on the first charge of bucketing against Fuller, resulting in a mistrial and two jury disagreements, together with the most scandalous charges of witness-hiding that have characterized any case in New York in years. During all of these efforts of the prosecuting attorney to convict Fuller the constant plea was that he was handicapped because he could not obtain access to the books of Fuller & Company. There was a great deal of noise about a court fight which should wrest from the receivers the use of the books for the redress of bucketshop victims. Such a fight I believe actually was begun more than a year ago in the cases of Fuller, Dier and Ruskay.

In the midst of this fight the referee, Harold P. Coffin, assuming rightly that the books belonged to the bankrupt estate and not to the bankrupts, instructed the attorneys for the receiver to move before him for the delivery of the books by the receiver to the trustee without limitation as to their use and thereupon entered an order to that effect. In less than three weeks the order had been sustained by Judge Julian W. Mack, of the United States Circuit Court, and in principle by the United States Supreme Court. The Fuller books were immediately made available to the District Attorney, though his own fight still remained in the United States Supreme Court, and no sooner were these books in the hands of the District Attorney than both Fuller and McGee walked into the court room and entered a plea of guilty of operating a bucket shop.

Upon this principle thus established the books of other bankrupt brokers are now available to the prosecuting officers. I cite this case merely to show something of the delays in law enforcement and also to show that the continued harping on the idea that bankrupt bucketeers who fail cannot be prosecuted because their books are not available is not an argument based on facts.

The developments in the Fuller case have absolutely sustained the position of the New York Stock Exchange against licensing, against examination of books, and confirmed its contention that where there is law enforcement there is plenty of law. It is my hope and wish that the revelations which are now going on in the Fuller case will show still more clearly bucketing in its complications with politics.

Part of the trouble today is the indifference of the average citizen to political matters. He takes little interest in the election or selection of his lawmakers or of his public officials. He does not follow their records in office and, if he votes at all, he votes negligently and with his eyes shut. In time he will compel the sworn officers of the law to enforce the laws regularly and impartially. In the meantime enforce-

ment of law by spasms is worse than non-enforcement.

Heretofore the Exchange has contented itself with ignoring attacks in the public prints, with making appearances before the proper legislative committees and presenting its arguments against legislation, through counsel or officers of the Exchange.

Hereafter the Exchange intends to fight. We are tired of the abuse and lies which are daily hurled at the Exchange, and while we do not intend to reciprocate in kind, we do intend that every item of information in our possession which will enlighten the public concerning the men who are attacking us, concerning their methods, their purposes, their records, and their objects, shall be given to the public.

If an office holder stops long enough at the Grand Central Station to call up the President of the Exchange and tell him that he wants a certain thing done for someone, contrary to the rules of the Exchange, and that he wants an answer in fifteen minutes because his train leaves for Albany, where he is going "to look into the bill aimed at the Stock Exchange," we shall consider that threat an item of news and give the gentleman's name and his threat to the newspapers.

Want Investigations

IF another office holder, who has a retaining fee from a notorious bucket shop, calls us up and gives us seven minutes in which to restore the wires to that bucket shop, under threat of political reprisal at Albany, we shall give that gentleman's name and a record of the conversation to the public, with such other details as the facts may warrant.

Again, if the author of a bill which was designed to put the Exchange out of business comes to us and asks for a retaining fee so that he may testify that he has investigated the Exchange and found it perfectly all right, we shall be glad not merely to deny the gentleman the retaining fee as we have done, but to give his name, business, postoffice address, and other facts which will be of interest undoubtedly to the public.

Furthermore, if any man, whether he be public official or not, holding high place or not, writes to the Governors of the New York Stock Exchange or to its President, demanding, with covert threat, that certain bucket shops shall have our wires, we shall publish these letters no matter whether the political position of the gentleman in question be high or low. This is desirable not from our own point of view, but from the necessity and desirability of advising these gentlemen's confreres as to the character of the men with whom they are associated.

Investigations Welcome

THE Stock Exchange will continue to fight bucket shops and it will fight those affiliated with bucket shops who seek to make money out of the power given them by their political connections. Do not think that I am attacking political parties or the great body of public men who are giving their time and earnest effort to the work of government. The State of New York has in its Legislature men of the highest type

and in its other public offices men equally impeccable.

It is not political parties with which I quarrel but political pirates and those hangers-on of politics who are mixed up with politics and interfere with law enforcement. The political buccaneer knows no party and the public official who is spineless in the enforcement of the law is usually the one who makes gratuitous, purposeless and rabble-rousing attacks on decent men and decent institutions.

Public officials should know that crooks take on the protective coloration of respectable business men, but instead of recognizing this fact and realizing that crooks are crooks and merely the barnacles of decent business, decent business is attacked in the pulpits, in the magazines, in the public prints.

Blue Sky Laws

I HOPE I have made clear the position of the Exchange. It has fought a fight to keep the people's market out of the hands of crooks and their more crooked allies. It has conscientiously endeavored to develop some plan which would prevent swindling of the public.

A committee of the Stock Exchange for a period of nearly a year made an intensive study of every blue sky law and regulatory measure in the United States. Bankers, members of investment houses, bond salesmen, members of blue sky commissions, and every person who might have any knowledge as to the working of the blue sky laws either from the regulatory end or from the distributing end appeared before the committee, and gave facts concerning this kind of legislation.

The committee was unable at the end of this intensive study to recommend any single form of blue sky law in existence in the United States. It was unanimously of the opinion that legitimate business would suffer through such legislation and the sale of fraudulent securities would not be checked. The question of the examination of books of brokers has been studied from every angle and I have already given you some of the reasons why such examination would be dangerous, while being absolutely useless.

The question of licensing has also been studied in every phase and we have found no reason which would justify such licensing, while on the other hand, we have found many reasons showing its serious possibilities. There are other regulatory measures which the Exchange has considered and which it is still considering.

Severe Rules

THE Exchange will not pass upon any question off-hand, nor has it ever been the policy of the Exchange to take snap judgment. Its members today are under the severest rules and regulations of any organization in the world, but every rule and regulation has been carefully thought out and is the result of knowledge and experience.

In conclusion, I want to extend to every member of the American Bankers' Association an invitation to visit the New York Stock Exchange and study it from the

ground up. I also extend this invitation to every newspaper editor in the United States. In fact, we are already planning to extend a definite invitation for a particular date to the editors of the newspapers of the United States to come and see what the New York Stock Exchange is and to study it carefully and thoroughly.

The Exchange wants every man and woman in the United States to have an intimate knowledge of its workings, of its purposes, and of the men who are directing its affairs. I have promised a certain kind of publicity today and I will add that we welcome any kind of publicity which is based on actual facts.

The Stock Exchange and the banks, if they cooperate, can bring about that which is of the greatest importance to the whole country, economic education and understanding of financial institutions and financial ethics.

Bank Women's Convention

PRESIDENT JOHN A. PUELICHER of the American Bankers Association, addressing the first general convention of the Association of Bank Women at Atlantic City, congratulated the members on their knowledge of economics. "Such knowledge," he said, "carried into the home could not fail to benefit and in those cases where marriage withdrew women from banking they would demonstrate in home keeping and civic life the advantages of their former banking contacts."

Miss Lucile Aitchieson, Secretary of Embassies, State Department, Washington, stressed the fact that women were now successfully represented in each rank of banking life, from manager of women's departments through assistant officers to treasurer, director, vice president and even president. "This absence of restriction," said Miss Aitchieson, "is peculiarly interesting in view of the corners' allotted women in many other fields. Highly privileged as you are, you are equally highly obligated. One of your chief services to my mind will be educating other women along the lines of sound investment. Of earning they have fair knowledge, and circumstances incite to the necessity of saving, but of investment they are ill informed."

Miss Mary B. Reeves, lately secretary of the National Mutual Savings Bank Association, has just returned from Europe and like the masculine speakers of the American Bankers Association she was thankful her lot was in America.

Forty-three members of the Association of Bank Women attended the convention. The full membership is ninety-eight.

One of the many features of the convention was a regional "clearing house" so to speak, under direction of Miss Jean A. Reid, Manager of the Women's Department, Bankers Trust Company, New York, at which each vice-president of the Association called upon certain members of her district to speak.

An open forum was presided over by Miss Mina M. Bruere, Secretary of the Association and Assistant Secretary of the Central Union Trust Co., New York.

Across the Atlantic

By FRED I. KENT

Vice-President, Bankers Trust Company of New York

Cancellation of Interallied Debts with Proper Understanding Would Bring Trade Revivals That Would Compensate. Would Be Greatest Effort Toward Solution of Reparations Tangle. If America Fully Understood She Would Help.

THERE are those in America who really believe that we are self-sufficient and, if we are willing to live without those things which come from other climes and countries that today constitute a great part of our daily requirements and if we would do without the art and science of other peoples, which are so necessary to broaden our own point of view, we might be said to be self-sufficient.

But is there any American who would be willing to accept such a condition himself and be deprived of the multitude of foreign conveniences and luxuries that now take such an important place in his life, to say nothing of the foreign markets which absorb his surplus production directly or indirectly?

There are certainly no live Americans who would agree to such a situation and surely our people have never sought to encourage the belief that they are dead ones.

All Kinds of Men

THERE are also those who would have us believe that Europe is a hot-bed of dishonest politicians and that all that the European nations desire of the United States is American money and that even at great sacrifice to ourselves we should therefore take no part in the present crisis. If this were true, it is conceivable that it might be to the interest of the United States to continue to hold aloof from Europe until a different attitude was manifest but is it true?

In every country in Europe there are undoubtedly dishonest politicians, even as there are in America, and it is true that such politicians endeavor to mislead the people for their own purposes. It is unfortunately a fact that everywhere such men do meet with more or less temporary success in fooling the people, even though at some time or another such gullibility is found to be expensive and has to be paid for. But alongside politicians of this stamp in every country are men in the public service who are honorable, patriotic and high-minded and who are striving to the best of their ability to accomplish those things necessary for the good of their peoples and often under most discouraging conditions.

When any considerable proportion of the population of any country is under great stress of living, as is true practically throughout Europe, it is inevitable that men who are without honor and are therefore willing to promise to correct all of the evils which exist in attractive but impossible ways

should meet with sufficient favor to give them political force and it is equally true that honorable men, who are not willing to promise the impossible, often have to stand by and see quack nostrums tried out that are certain to increase the sufferings of the masses before they can obtain the power themselves to apply intelligence and integrity to the problems which exist.

Such a situation may be found wherever there are communities of men and unfortunately in the United States of America we are often obliged to learn our lessons in such devious ways and in this present day our prosperity is even now menaced by just such forces. Then there are, of course, the ignorant and well-meaning who unconsciously play into the hands of the vicious because of their lack of knowledge of fundamentals and their enthusiasm for false theories. No one would say for a moment that because such conditions exist in the United States that we should stop striving for our country's good and because the same conditions to a greater or less extent exist in the nations of Europe, is there any reason why we should hold ourselves aloof from being helpful to them?

After such a war as the World's War, it is inevitable that vast masses of the people, which had become lethargic, should be stirred into new life. Thousands and millions of men whose circle of existence had been entirely confined to a certain few neighborhoods were led into strange and foreign places, and became acquainted with different living conditions and were awakened to new possibilities in life and when they returned to their homes and met their fellows who had had similar experiences, new ideas and new desires were certain to permeate latent masses.

False Ideas

BUT it is also certain that such masses cannot become fundamentally sound in their ideas immediately and that consequently such impossible policies as Communism and radical Socialism are temporarily looked upon with favor and that professed dictatorships by the people, in which the people have no voice whatsoever, are advocated.

It is not strange therefore that the world today is to a certain extent taken up with false ideas, but such a condition instead of decreasing the necessity for effort to bring about sound fundamentals and proper social relationships increases such necessity.

But fortunately there are even stronger forces than those of disruption which have

been at work among the European nations and that are thoroughly constructive in their character. Through such forces the terrible effects of the war and the difficulties of the peace treaties which followed it are being overcome. In reality the improvement has been at a marvelously rapid pace and the Europe of today is very far removed from the Europe of the fall of 1918.

Hate Dying Out

IT is true that the differences which continue to exist between Germany and the Allies are holding back reconstruction, but there is very positive evidence that underlying the discouragement, which such a condition naturally carries with it, a greater feeling of hope actually exists. In many of the countries of Europe a very strong belief is developing that once a final agreement has been reached between Germany and the Allies that trade and commerce will be resumed between all countries with an increasing rapidity that will in a comparatively few years make its volume outstrip anything that has ever gone before.

The flame of race hatreds in many countries has been gradually dying down as the fact is being recognized that the nations are dependent upon each other to such an extent that it is to the interest of each to make reciprocal treaties which will reduce or remove trade barriers. A willingness to work is also becoming more apparent and it is being realized that markets are developed by production equally as production is undertaken to meet markets.

The waves of propaganda which spread throughout Europe from Russia that led labor into the belief that it could obtain those things desired for living and luxury without working is rapidly losing its force. Workmen are realizing more and more that without labor there can be no production for distribution and that without production for distribution men cannot exist.

The change in Italy in this respect since Mussolini came into power has been almost beyond comprehension and it would seem as though labor in Italy had come to a full realization of the fact that the greater the number of things produced the more people can have them and it is working accordingly.

Austria, which a few short months ago was a nation of despair, has now become a country full of hope and with a very marked intent to work out its own salvation and to live up to the agreements which it has made with other nations, even though

it can only succeed in this program by the hardest kind of labor and at very great sacrifice.

It is an example to the world of what can be accomplished through right intent which in the case of Austria led its former enemies to combine for its benefit and advance to its government \$130,000,000.

Hungary, after going through a terrible Bolshevik reign and an expensive foreign occupation and after having been dismembered unfairly, in the opinion of its people, by the Treaty of Trianon, was not only in despair but its people were for a time so occupied in commiserating with themselves that little progress was made toward bettering their condition. But so great has been the change, and the Hungarians are now striving so positively to make the most of what is left to them, that it would not be surprising if their former enemies should also make them a loan to help them tide over their present crisis.

Danger of Russia

WHILE the people of Czecho-Slovakia have not had to pass through the extreme difficulties which faced both Austria and Hungary, yet they had some very serious troubles during the period of the stabilization of their currency and they came through them extremely well. This new nation is made up of willing workers, notwithstanding the serious strikes which have caused its people such needless hardships.

In Poland they are still confronted with some very terrible problems, but there is an enthusiasm for their new country that is bearing good fruit and that has helped to create a most hopeful state of mind.

While the development in some of the Balkan countries is much slower than in others and the difficulties which exist in Greece are still very great, as there has not been sufficient time since the Turkish War to work them out, they are all pointed in the right direction.

The trials of Switzerland, which have borne so heavily upon its people, should rapidly disappear after Germany and the Allies arrive at a final agreement; and the same is true of Holland, where the effect of the occupation of the Ruhr has been particularly distressing, but whose people are most dependable and have held their mental equilibrium extremely well under the circumstances.

In France the evidence of thrift on the part of its people has been as great since the war as before it and the attitude of labor has become more patriotic with a consequent great improvement in the mental condition of all the people. Something of this same development is noticeable in Belgium as well. Both of these nations are fundamentally stronger than they were at the close of 1920 and much can be expected from them when peace is re-established.

In Great Britain some of the most dangerous phases of the labor development which followed the armistice and the trade collapse of 1920 seem to have been dissipated and a healthy mental reaction can easily follow the return of peace in Europe. British integrity is a great asset in time of trouble.

The Scandinavian countries have had their share of the extremes of radicalism, but have succeeded in protecting themselves from their most evil effects and only need the opportunity of peaceful conditions to work out of their troubles which have been very real.

The Russian problem is serious and can only be solved by time. It is also going to be necessary during such time for the other nations of the world to watch themselves carefully, for the Russian propagandists make the most of discontent wherever it may exist, and while the resources of such a wonderful country as Russia are at the disposal of those who are willing to use them for such purposes, the world is in very great danger.

Mental Changes

WHEN there is extreme suffering among great masses of people, as is true in so many parts of Europe, it is inevitable that there should be great mental unrest and the potentialities for untoward developments must be recognized, but regardless of this fact there is not the slightest doubt but that the despair of desperation, which pervaded all of Europe after the first reaction following the armistice, has given way to very real hope, or to an undefined hope that will be brought to life and that will exercise a tremendous force for good as soon as Germany and the Allies come to an agreement, and provided that that agreement is not postponed for too long a time.

In Germany the stress of the Ruhr occupation, together with the passive resistance developed against it, has been very terrible in its effects, but there is reason to believe that a settlement of the reparations and other questions with the Allies on some final basis will result in such a relief to the people that after such settlement they will be able to take up their burdens in a more healthy state of mind and that their industry will once again make itself felt in the world.

It would have been impossible for this change of mental attitude to have developed among the nations of Europe if everything in those countries consisted of bad politics and if all men in government were mere self-seekers. In fact, unless there had been very real patriotic effort and sacrifice upon the part of a large proportion of European men and women, in government and out of it, we would undoubtedly have today throughout all Europe conditions which would be similar to those that existed in Russia during the worst period of its dissolution, instead of which we find latent hope predominating and many nations ready to move forward as soon as peaceful conditions are re-established.

Not Isolationists

CAN we in America afford to ignore our duty to peoples who have so successfully passed through a period of great suffering and anguish merely because there are those among us who are fearful that we might be inveigled into entangling alliances if we undertake to sit in at the

council table where the great problems of the nations are being solved?

Actually the American people have no desire to isolate themselves. They are the greatest travelers in the world and they study and utilize the science and arts and the products of other parts of the earth as is true of very few, if any, other nationalities.

The economic situation in Europe is, after all, the result of the psychological developments and ordinarily is a statement of such results in figures rather than in phrases.

We find throughout all Europe taxation difficult to bear and that in many countries has a tendency to curtail production. This taxation while made necessary temporarily because of the war is much greater than it should be or need have been, if the various peoples in their despair had not listened to the siren voices of the makers of false promises.

The need for taxation has developed directly because of inflated government indebtedness and exorbitant governmental expenditures. Both are largely the result of the tremendous waste induced by experimental government, together with government which is used by politicians to take care of present or prospective constituents, who when entering the employ of government beyond its needs have immediately become nonproducers and a burden upon all producers. From the taxes of all the people superfluous government employees are given the funds with which to compete with the producers for the things which they themselves require, with the result that the producers not only have to pay unnecessary taxes, but that they are obliged to pay higher prices for what they buy than would be true if government were not so burdened and excess government employees were obliged to become producers themselves in order to make their livelihood.

Problems Too Great

THIS situation has not developed in Europe entirely through bad intent but has been partly the result of effort to meet the serious problem of unemployment, which in itself came about because of unscientific government and lack of proper co-operation between governments. Because government indebtedness has increased beyond all proper proportion, and budgets have been in excess of income, and inflation has developed at such terrible expense to the people, does not mean that all are bad or unworthy, or that we in America who have made the same mistakes to a certain extent are more worthy, but merely that the problems which the war put up to men were greater than they could solve without experimentation. We should not therefore waste our effort in criticism but should aim positively for understanding and while this requires recognition of the causes of bad government both from the standpoint of intent and lack of knowledge, yet we should confine our effort to the positive side of the problem and make our constructive program so strong that those who would be destructive will find no place in it.

The figures covering the indebtedness of governments and their budgets, inflation, taxation, national income and the wealth

of the European nations have been recited time and again and the proportions of the requirements of government under present conditions to income and wealth can be made to appear very terrifying and will truly be so unless the increasing ratio of waste to income is not soon stopped. If it is allowed to go on, a burden will be built up for future generations that they cannot meet. It is inconceivable that this generation should be willing to allow such a development so certain to give unhappiness to many who will follow, among whom will be those of their own flesh and blood.

While the European nations have been under greater stress since the war than we of America and have consequently been led to greater excesses in mistaken economics, yet a very slight reading of the bills which have been introduced in our legislatures and in our Congress, some of which have been passed and some not, show conclusively that we have our own share of ignorance as to the results of wasteful governmental expenditure and excessive taxation.

The Ruhr

DURING any certain period of evolution that bears particularly hard upon a people, current opinion is very apt to see in it only the difficulties which exist and so it is apparently with the occupation of the Ruhr. But it is conceivable that after a settlement has been reached and a few years have gone by that we may find that the Ruhr occupation was in effect the culminating act of the war, which finally resulted in the establishment of a real peace and that Germany will have benefited through it equally with other nations. It may even be seen that the passive resistance organized by Germany, although it changed a civil occupation with military protection into a purely military operation and consequently interfered with trade and commerce to such an extent that tremendous financial losses were involved, may also have played its part in making possible a final peace. Even the terrible expense entailed may be more than made up after a few years of restored confidence.

Before the occupation of the Ruhr the strain between Germany and the Allies was constantly increasing and if it had been allowed to run on, many years of uncertainty and stress might have elapsed before the establishment of an ultimate peace. And conditions might easily have gone from bad to worse until they ran into another war.

Disregarding all questions of difference of opinions that may exist as to the Ruhr occupation and the manner in which it has been carried on, is it not a fact that there was no power other than France which would have stepped in and brought to a head for final settlement the growing differences between the Allies and Germany that were giving the world so much concern before the occupation of the Ruhr?

Whether future historians will be able to construe the Ruhr occupation in this manner would seem to depend entirely upon what the French actually demand and accept when a settlement is finally reached and whether such settlement is of a nature

that will warrant the French in reducing their military to a national police, which they state is their desire.

French Position

TODAY France is undoubtedly the strongest military power in the world and it is quite natural that Americans returning from Europe should be impressed with this fact, as it seems to be felt throughout the continent. It is also quite to be expected that people should wonder whether this development has only been for temporary protection made necessary by the untoward conditions which have existed in Europe, and that after a settlement with Germany the French will be contented to again occupy themselves exclusively in the undertakings of peace or whether the feeling of power, which has naturally developed with their strong military position, will go to their heads and be too strong for them and will evolve a sort of despotism that may in the end lay the foundation for another terrible war.

Poincaré's inflexible attitude in connection with the passive resistance broke such resistance quicker than if he had shown weaknesses which might have led Germany to be hopeful that through delay she could succeed in obtaining a more favorable outcome. In view of the powerful position which the French hold and the fact that no nation could dislodge them without going to war themselves, which did not seem a probability or a possibility, the quicker the German people realized that their greatest interest lies in coming to an agreement with France, the better it was for them.

If the French now demand the impossible and continue to develop their military power, as is feared in so many quarters, the world may be a difficult place in which to live for many years to come, exactly as might have been true in case the Ruhr occupation had never occurred.

On the other hand, if the French are fair and reasonable and it is found possible to develop agreements which will result in the elimination of militarism throughout Europe, a new era of tremendous prosperity may be in sight.

Our Two-Fold Duty

UNTIL the terms of an actual settlement become known, therefore, no one is in position to judge of the French action and we are certainly not warranted now in calling her militaristic or a menace to the world's peace. Neither should we anticipate that she may justify such an attitude and it would seem far better for the world to accept France at her word than to doubt her, and to look forward in confidence to her dropping her military program as soon as a settlement is concluded with Germany.

But until there is such a settlement, the world and Europe in particular is doomed to stagger under the burden of so many uncertainties that life to many millions will represent only a bare existence.

This all leads up to the question as to what the people of the United States can do and should do to bring about the return of peace in Europe. Our duty in this connection is two-fold—that to ourselves and that to humanity, and it is the same duty

that confronts every nation. Duty to oneself does not carry with it selfishness in the sense of wishing to obtain something for ourselves at the expense of others, but rather the sense of the desire to obtain something for ourselves while benefiting others. For instance, it is good for America to be able to export its surplus production and in order to do so to the full extent of our ability to produce, it is necessary that the buying power of Europe be restored. It is quite impossible for the buying power of Europe to be restored unless Europe obtains the same benefits from such restoration that would redound to America.

We are thoroughly justified in this country, therefore, in stating openly that we desire to help Europe accomplish the restoration of her buying power in order that we may sell to her in greater volume. It carries with it no wrongly selfish thought whatsoever, but represents a desire for co-operation of the highest type and it is clearly our duty to ourselves to do our part in this matter.

Reparations Commission

OUR duty to humanity lies in bringing about this condition as quickly as possible in order that there may be as little suffering in the world before the restoration of trade as the existing situation will allow.

One simple act that would be most helpful is to take our place upon the Reparations Commission officially. We should be represented upon this Commission by a man who can express his conviction with his vote. The economic and moral force of the United States is so well recognized by the Allies that if our representative had a vote there would inevitably be a desire on the part of the representatives of other nations on the Commission to work in accord with us whenever they could do so legitimately, and we could maintain our position as being correct. We have nothing to fear through such an association in the nature of entangling alliances, or other dangerous international complications, and we would undoubtedly be less involved in difficulties than is true at present where we are obliged to sit on the sidelines and watch developments without having any voice in their control.

But before going further with this matter, let us consider for a moment the question of the capacity of Germany to pay.

This talk about "capacity to pay" is apt to be misleading, as the elasticity of nations is greater than is generally realized. The number of units in an average country is so enormous that a small change in their activities makes a tremendous difference in production and consumption. For instance, let us suppose a nation of 70,000,000 people has 10,000,000 workers and that the eight-hour work day prevails. This nation owes the rest of the world \$15,000,000,000 without interest and every man in it desires to see payment made and agrees to work one hour extra each day until the debt is settled. Ten million men working one hour a day for 300 days would mean 3,000,000,000 work hours a year.

Suppose that these 3,000,000,000 work hours were concentrated, as could easily be done by releasing some men in every in-

dustry who would not be needed because those who remained would be working nine hours instead of eight hours, and applied to the conversion through manufacture of 100 per cent of imported raw materials and then that these manufactures were 100 per cent exported and that the nation received for the manufactured articles a profit representing twenty-five cents a work hour. Without disturbing its regular trade or production in the slightest particular, the nation would be able to settle the debt in twenty years at the rate of \$750,000,000 a year. Now suppose the nation finds that it can supply from its own resources fifty per cent of the raw materials required and then by means of increased efficiency and better machinery that it can increase the average value of each work hour twenty-five per cent, it might easily be able to settle the indebtedness in fifteen years, or even in ten years, insofar as it was itself concerned.

How We Recover Losses

NOW if the articles manufactured were something new that proved desirable to all the world, they could easily be absorbed as the labor in the rest of the world would have had additional opportunity for employment in supplying the raw materials and would still have had its ordinary production to provide. But if the articles had to compete with those produced in the rest of the world, a number of other elements would be introduced and so we might go on adding elements on one side or the other indefinitely.

It is only this elasticity in a nation's power to produce and to consume the things required by man that makes it possible for us to absorb the tremendous losses which come from the billions of labor hours lost through strikes and to recover from the devastating effects of governmental waste, fires, earthquakes and wars.

The millions upon millions of variable units covering production and consumption that lie within a great nation are such that no man can figure positively on capacity to pay over an extended period of time in an undeveloped future.

Who could have guessed from the statistics of production from 1900 to 1910 that the world could have produced such untold quantities of commodities of all kinds that it did during the four years following Jan. 1, 1915?

On the one side was, of course, a positive war market, but on the other was the will to produce without which no market could have caused such a tremendous increase in production. All of that part of the ability to produce at high speed during the war that was derived from improved machinery still remains to the world and it carries with it increased power to consume.

The limit of the capacity of any nation to pay over a future period of years, all things considered, is such an illusive figure and depends so much on the will to pay, together with the nature of the competition which may exist in the world's markets, that it would seem far better to study reparations from the standpoint of what is fair and best for all concerned.

Demands of France

FAIRNESS demands that the restoration of devastation be paid for by those who caused it. Honorable men in Germany admit this without question. If France should accept from Germany in settlement of reparations a sum equivalent to that which she owes Great Britain and the United States, that she was forced to borrow to enable her to protect herself from further devastation, and if she used such sum to pay these allied loans, she would still be left with her devastation to pay for, would she not?

If to the sum demanded from Germany to meet reparations a further sum is added equivalent to the interallied indebtedness the total would be so great that regardless of Germany's capacity to pay, the burden upon her people measured by the best standards which we can apply would require such sacrifices in labor and through taxation that her people might become a menace to themselves and to the world. If the German people should accept such sacrifice and endeavor to work out the indebtedness, might it not be necessary in order for Germany to succeed for the rest of the world to give her a larger industrial position than it can well afford to give?

A great effort is now being made in practically all European countries to obtain an export balance as they hope to work out of their troubles by so doing. Should they succeed, who could hold the bag except the same United States which so enjoys an export balance itself?

Trade and services between nations must balance over periods or sacrifice is inevitable. Do we want to encourage the development of a situation wherein we may find ourselves in the same dilemma as some of the European nations with whom we are commiserating today?

We now come to the crux of the whole situation, but before considering what part America can play in bringing peace to the world, we must first analyze the conditions which prevail in connection with the occupation of the Ruhr. Concretely the demands of France are three: 1. Reparations; 2, protection from future attack; 3, protection from unfair competition.

We will consider these demands in inverse order and strictly from the French point of view as French opinions are important because of the strength of their position.

Demand for Security

THE French claim that it is necessary to consider the question of unfair competition because of the deliberate devastation wrought by Germany during the war avowedly for the purpose of crippling French industry. This caused the French to wonder what would happen to their iron and steel industry if Germany should refuse to sell coke to French industrialists in furtherance of Germany's war policy. The French claim that they want no unfair advantage themselves and are willing to arrange to deliver to Germany French ores, which Germany requires, in exchange for German coke needed by France.

It is believed that some form of under-

standing has been reached that both French and German industrialists will approve and that this demand is not now a subject of serious contention. In any event it is a matter in which the United States has no part.

The French fully understand that no peace agreements can be entered into by any nations that may not be repudiated unless there is some sufficient force to prevent, the exercise of which would undoubtedly be an act of war itself. Failing in their attempt to form a protective alliance with Great Britain and the United States and realizing that other wars are probably inevitable, they have determined, if possible, to prevent any future war with Germany from commencing on French territory. They feel that the devastation from the last war was great enough to warrant them in considering this as a vital factor. In order to make this purpose effective and eliminate the necessity for France to maintain a large army for defense, some plan is contemplated that will make a sort of buffer state of the left bank of the Rhine, even though it may continue to be recognized as distinctly German territory. The French undoubtedly have their ideas clear on this point and Germany will probably have to meet them. The United States can have no part in this matter either, as its citizens will not authorize its Government to enter into any European alliance that might involve us in a war without the sanction of Congress.

This leaves only the reparations question for consideration and it is in this connection that the United States may find that it has a very real part.

Reparations contain three important problems: 1, amount; 2, methods of payment; 3, security.

Again we will take up the points inversely.

France demands security on the ground that certain defaults on the part of Germany in making reparation payments were voluntary. France undoubtedly will not evacuate the Ruhr until some arrangement satisfactory to her as to security has been made by Germany.

Methods of Payment

FRANCE will demand methods of payment of reparations, which she believes will be within the capacity of Germany to meet, but she also demands that Germany shall pay her such amounts and at such times as France may be called upon by Great Britain and the United States to make payments on account of the interallied loans, but with the understanding that any part of these loans that may be remitted to France will be remitted Germany by France. We can now begin to see wherein it is necessary for the people of the United States to do a little thinking.

Aside from the interallied loans France demands that Germany pay her twenty-six milliards of gold marks, which she claims represents a fair value for the restoration of the devastated districts. In addition to this Belgium demands five milliards of gold marks and Great Britain fourteen milliards, which with the amounts that would have to be paid the other Allies would bring the total reparations that Germany would have to pay to from forty-

eight to fifty milliards of gold marks, or roundly \$12,500,000,000. This sum is exclusive of the demand of France that as she makes payments on her interallied indebtedness Germany must make equivalent payments to her. But there is included within this total in the fourteen milliards that Great Britain demands of Germany a return of the funds which Great Britain must pay to the United States.

There is reason to believe that after Germany has positively withdrawn her policy of passive resistance, the only real point of difference between France and Germany that may be difficult to adjust is the total amount of reparations.

Debt Cancellation

AS the interallied indebtedness represents a principal part of the reparations total under consideration and as there is a general belief that Great Britain would willingly consider remitting a large percentage of the debts due her, if the United States would do so as well, we seem to be very much in this Ruhr situation after all. Unless therefore we are willing to sit in with Great Britain and France and study this problem frankly and with full intent to do our part toward solving it, we cannot complain if conditions develop that are very much against our interests.

The problem of the interallied indebtedness has two very strong sides and they cannot be set aside lightly from either standpoint. That they were undertaken in good faith is beyond question. That the good of the world requires that there be no repudiation is not subject to discussion. That they will be a heavy burden upon many nations and a drag upon trade and commerce if their full payment is demanded is undoubtedly true. If the creditor nations should consider their cancellation without using the force which lies within them to obtain better world conditions, it would be unfortunate.

But if the creditor nations in cooperation with the debtor nations can trade off that portion of the loans which could roundly be figured as having been spent for a common cause, say sixty or preferably seventy per cent, for agreement that would result in the reestablishment of peaceful and sound economic conditions in Europe, there would be such a sudden return of confidence in the world that trade and commerce might easily revive to such an extent that the monetary return would far exceed the total cancelled loans over a comparatively short period of time.

The question is—How can the United States enter into this situation without seemingly agreeing to the principle of cancellation before it can ascertain wherein its best interests lie?

Fortunately the way is open to us if we have the courage to accept it.

Commission Powerless

BY act of Congress a Debt Funding Commission has been created whose membership, which was named by the late President Harding, consists of:

Secretary Charles E. Hughes, Secretary of State.

Secretary Andrew W. Mellon, Secretary of the Treasury.

Secretary Herbert C. Hoover, Secretary of Commerce.

Senator Reed Smoot. Congressman Theodore E. Burton. Congressman Charles R. Crisp. Congressman Richard Olney.

These men are outstanding Americans of the highest type, honorable, patriotic, possessed of great intelligence and great experience. Between them they have a knowledge of law, finance and diplomacy and an understanding of domestic and foreign conditions that undoubtedly could not be surpassed by any similar body of men that might be selected from any country in the world.

This Commission, with its extraordinary ability, integrity and understanding, could safely be entrusted with any interests which the people of the United States might have at stake and could be relied upon to give a proper account of their stewardship. Under the Act creating the Commission, Congress so limited their powers that they are impotent to carry out their duties except as they may make recommendations that may be accepted by Congress that are outside of their limitations. The funding of the British debt to the United States is sufficient evidence of this fact.

The Way Out

IF this Commission had the power to send one of its members or a representative, or a sub-committee, to Europe to sit in at a conference with the British and French for the purpose of working out a plan that would enable the reparations total to be demanded of Germany to include only reparations and not interallied debts, a series of agreements could undoubtedly be arranged that would reestablish peace and confidence throughout Europe.

The Debt Funding Commission being made up of honorable men who have accepted appointments on the Commission under the restrictions which Congress applied is not in position to negotiate for cancellation unless it is clearly the public desire that it do so. There is no doubt but that it is against the wishes of the people of the United States to consider cancellation of the Allied indebtedness unless by means of such cancellation, or at the same time the causes for militarism in Europe and militarism itself shall be abolished and proper fundamental conditions shall be established that will allow the unrestricted development of trade and commerce.

If Congress were in session today, it would be the height of folly for it to demand of the Debt Funding Commission that it take up the question of the Allied indebtedness and arrange for its cancellation without considerations. On the other hand, if Congress could give the Debt Funding Commission full power to negotiate, including the power to arrange for cancellation, provided agreements are obtained in return that would reestablish peace in Europe, the Debt Funding Commission would be in a powerful and perfectly proper trading position and it is not conceivable that the interests of the United States would suffer at its hands.

League Not Needed

SHOULD such agreements be better developed by means of treaties, the Secretary of State, who is a member of the Debt Funding Commission, would be in position to take over the negotiations at such point and get them into proper shape for presentation to the Senate for confirmation.

As one of the outstanding difficulties which exists in connection with a possible settlement between France and Germany lies in the fixation of the amount of reparations and as the principal element in preventing the determination of such an amount that it is believed that Germany can pay without putting an unfair or too great a burden upon its people lies in the interallied indebtedness, the entry of the Debt Funding Commission of the United States at the council table of the Allies, with power to trade the interallied indebtedness, would undoubtedly be a determining factor. This could be done without any reference to the League of Nations.

As Congress will not convene until December and cannot therefore change its instructions to the Debt Funding Commission before that time and as a continuation of the present situation in Europe over the winter would be courting catastrophe, a way must be found under which immediate action can be taken. Such a way is undoubtedly open to the people of the United States, for if they individually and through their organizations express to their Congressmen with sufficient force their belief in the safety to this country of placing the authority to negotiate in the hands of the personnel of the present Debt Funding Commission, even to the point of cancellation of the interallied indebtedness, in part or in whole, against proper agreements assuring peace in Europe, and Congressmen notify the leaders in Congress that they would favorably consider any such recommendation that might be made by the Debt Funding Commission at the next session of Congress, the Commission would be thoroughly justified in entering into the matter.

We Would Not Lose

AS things stand today, representatives of the European nations naturally do not feel warranted in suggesting cancellation, as it would partake more or less of the nature of repudiation if they did so, and neither are the members of the Commission justified in view of the limitations placed upon them of introducing the subject. It is consequently difficult for the Commission to develop negotiations which might result in recommendations to Congress that would include cancellation of Allied indebtedness, unless it has clear evidence that it is the will of the people of this country that it does so.

The whole proposition should be handled on a non-partisan basis, which is thoroughly warranted in view of the appointment of two Democrats on the Debt Funding Commission. It has recently been noticeable that in the development of partisan politics in this country there has been a great deal of juggling for position on European questions. Such actions should be stopped immediately. They are just as deplorable

and just as unfortunate as some of the bad European political methods that are so fluently criticized in the United States.

Should the Debt Funding Commission through entry into the European negotiations in this manner succeed in bringing about a prompt and satisfactory settlement, it would not mean that the people of the United States would be the losers to the full amount of any indebtedness that might be cancelled. On the contrary, it is conceivable that during the period of time that it would take for the Allied indebtedness to be paid, if it were paid, that increased domestic and foreign trade profits could far exceed the amount of the cancelled debts.

America is fully justified in considering the questions of profits and taxation when studying any plan embodying cancellation because of the manner in which the interallied indebtedness was undertaken. On the other hand, we are also under obligation to bear in mind that after the agreements as to such indebtedness had been made, the war development was quite different than was expected at the time. It was over a year before the United States took its part in the battle line in force, during which the Allies were obliged to bear the brunt of the tremendous German drive of the spring of 1918. It was their men and their life blood, together with rifles and ammunition obtained from dollars advanced by us, that stopped the drive and made it possible for

the troops of the United States to land on friendly soil after they had crossed the Atlantic Ocean.

It is impossible to believe that the spirit of justice in the people of the United States is not sufficiently strong and that they are not sufficiently generous to recognize this situation. Money has never stopped them from going to the aid of any

people who have met catastrophe. The sums which they have raised have been based on the need of humanity, and there has seemed to be no limit as to what they would do if necessity required. A famine such as took place in Russia and the terrible earthquake that has just occurred in Japan left no element of doubt as to the human necessity that had arisen. A situation such as exists in Europe, however, is very much harder for our people to comprehend, but their intent as written upon the pages of history is so clearly to sacrifice what is necessary to meet the emergency of others, that there is not the slightest doubt but that if they could see the need of the people of Europe as it really exists for the peace that is being denied them, they would meet this emergency in the way that is open to them. It is because of the existence of this spirit in America that we can be hopeful that insofar as it may be dependent upon us there will soon be an end to the terrible trials that the world is going through. Recent developments clearly

show that the time has come when our United States should have the will and the courage to re-enter the councils of our Allies with the broad mind and open heart that is so characteristic of the people of our Nation.

(Copies of Mr. Kent's article in pamphlet form may be obtained by applying to A. B. A. headquarters.)



J. ELWOOD COX,

President Commercial National Bank, High Point, N. C., Chosen Treasurer of the American Bankers Association

Government in Business

(Continued from page 212)

Finally, there is wanted on both sides of this question a broad appreciation of the fact that the activities of business are all "affected of a public interest." They are not merely private activities. The fundamental purpose of all business, the purpose which gives it the chief claim to

consideration and protection, is that of serving the wants and needs of the population. The argument against excessive governmental interference is that instead of serving the public interest, it hampers this necessary service and makes it more costly; but this plea cannot be urged effectively by business men unless they show an appreciation of the obligations which it lays upon them.

The controversies that arise out of the relations of business with the public are not inherently irreconcilable. They do not present a case where one must enlist for the war on one side or the other. In every instance there is a right relationship between business and the public which is best for both, and which both should be equally eager to find.

The Economic Policy Commission

THE Economic Policy Commission of the American Bankers Association at a meeting held on July 12th and 13th devoted itself largely to a consideration of the Federal Reserve system and voted to reaffirm its complete adherence to the fundamental principles of the system and its belief in the indispensability of the system to the health and growth of America's industries, commerce, trade and finance.

While your commission is unanimous in the belief that the Federal Reserve, during the period under review, has functioned in an entirely satisfactory manner, there are two features in its development which your commission observes with profound concern and which it deems its duty to bring to the attention of the Council of the Association together with certain remedial suggestions:

The commission looks with disfavor on the authorization recently given by the Federal Reserve Board to two Federal Reserve banks to establish, under the guise of agencies, organizations of their own in Cuba. It believes that the precedent thus established is fraught with the most serious dangers, and it suggests that the Federal Reserve Board reconsider its policy adopted in this regard or, failing that, that an amendment to the Federal Reserve Act be sought, forbidding the establishment, by any Federal Reserve bank, of branches in foreign countries, under the guise of agencies.

Without wishing to go into the question of whether or not the language and meaning of the Federal Reserve Act, which does not contain a clear and specific authority in this regard, could safely be construed to convey upon the Federal Reserve Board the far-reaching power of establishing what are in effect Federal Reserve branches in foreign countries, your commission desires to point out that all traditions and practices of central banks of other countries confine such central note issuing institutions to establishments within their own borders. Their outstanding duty is to provide currency for and to protect the gold and credit structure of their own countries. While for such protection of the gold and exchange position of their countries they may properly carry on certain well defined transactions through foreign correspondents, whom, in given circumstances, they may designate more formally as their agents, they carefully and wisely refrain from establishing in foreign countries branch organizations of their own. It is unnecessary to emphasize the danger of legal and political complications that may arise from such governmental or semi-governmental institutions domiciling in foreign territories. In addition, in order to lay bare the risks to which central banks would expose themselves by venturing across their own border lines, one need only point to the appalling losses suffered by both European and American banks through operations in foreign countries with uncertain credit and

fluctuating exchange standards. Moreover, operations in distant countries aggravate the difficulties of proper supervision by the central office and enhance the ever threatening danger of abuse and corruption.

Your commission is not unmindful of America's duties toward Cuba and of our vast commercial and financial interests in that island. But it believes that the object to be attained by the opening of Federal Reserve Bank branches in Cuba could be accomplished in other ways that would not create so fateful a precedent. Once the principle involved is broken down, your commission fears there is no telling whither, ultimately, the Federal Reserve system may drift, and your commission is alarmed, through not surprised, to learn that proposals are already materializing designed to secure from the Federal Reserve Board permission to operate similar branches in other countries. Your commission deems it its duty to urge the Federal Reserve Board carefully to reconsider the step taken; in the commission's opinion the Board has embarked upon a course fraught with grave dangers.

Intimate Touch Needed

THE Federal Reserve system consists of twelve organically disconnected, autonomous Federal Reserve banks; the only link tying them together, assuring and directing effective cooperation among them, is the Federal Reserve Board. The task imposed upon the board, remote as that body is from the actual operations of the districts, is, at best, a most difficult one. It requires intimate understanding of the Federal Reserve banks' intricate problems and expert knowledge of their technique.

The first draft of the Federal Reserve Act very wisely provided, therefore, that two of the members of the board should be appointed by, or be representative of, the Federal Reserve banks. This provision was sacrificed, however, later on in order to satisfy the apostles of the theory of absolute Government control, whose cooperation was indispensable if the Federal Reserve Act was to be passed. Thus, a compromise was reached by which the duty to appoint the five members was vested in the President, while, at the same time, it was provided that at least two members of the board should be experts in banking. Since then an amendment to the Federal Reserve Act has recently eliminated this provision, requiring the President to see to it that among the five appointed members there should always be at least two bankers. As a consequence, among the appointed members, whose number has now been increased to six, there is today not one who may be considered an expert banker by profession and training. Your commission does not wish to indicate any doubt whatsoever as to the qualifications of any single board member serving at this time. What your commission is discussing is the composition of the board as a whole. Your commission does not believe in class rep-

resentation as such. It believes that the first qualification of every member should be his ability faithfully and effectively to serve the interests of the country as a whole. But, just as much as it disapproves of class representation, just as earnestly does it protest against class discrimination, where plainly the best interests of the country would require the inclusion among the members of the board of men who could be recognized, both here and abroad, as experts in banking of national reputation.

If the Federal Reserve System is to survive, and if it is to render the invaluable services which it can give if properly protected and directed, it is imperative that the position of the Federal Reserve Board be strengthened and that measures be taken which would assure for it the continued service of the best men the country can produce for the job.

There is no use blinking the fact that the whole trend of the history of the personnel of the Federal Reserve Board has shown that there has been hardly any continuity in service on the part of its members. The record shows that valuable members resigned, because they became disheartened, or that they could not be reappointed on account of objections of politicians, whose wishes or preferences they found it necessary to disregard in the conscientious exercise of their duties. Your Commission believes that, unless something is done better to protect faithful servants and to enhance the standing and independence of the Federal Reserve Board, a gradual deterioration of the entire Federal Reserve System is inevitable. It is unnecessary to elaborate the great danger that faces the country if the Federal Reserve System should, step by step, be dragged deeper into politics and, ultimately, should be forced to envisage a fight as disastrous in its consequences as that faced by the two banks of the United States.

Matter for Congress

YOUR Commission believes that this problem is worthy of the most careful thought of this Association, and that a dispassionate discussion ought to be sought with leading members of Congress with a view to devising ways and means of avoiding the dangers for which the System is now headed. The question ought to be examined whether or not it would be possible in some way to revert to some scheme as embodied in the first draft of the Federal Reserve Act, or whether it may not be possible to provide that members of the board, at the expiration of their terms, might be reappointed by the President without subjecting them once more to the hazards of a confirmation by the Senate. The Senate would continue to pass upon the qualifications of board members at the time of their first appointment, but by relinquishing their right of confirmation in case of reappointments, the friends of the

(Concluded on page 226)

Clearing House Protection

By MELVIN A. TRAYLOR

President First Trust and Savings Bank, Chicago

SINCE 1920 the Chicago Clearing House system has expanded very rapidly, the examiner now having 160 banks under his charge, 28 being regular members of the association and 132 being affiliated members. Forty members have been added this year. The Association has been called on to deal with some very difficult problems, and the experience has more firmly convinced us of the wisdom of the system.

We have also learned some exceedingly important facts, particularly as to the domination by stock ownership or control of boards of banking institutions by individuals extensively engaged in other enterprises, and the control and direction of a group of banks by one or more individuals. I do not mean there should be legal restrictions nor that it is not proper, but I would emphasize that such facts should at all times be reckoned with by properly constituted inquisitorial bodies. The possibility for complications warrants the greatest caution.

The idea of banking supervision undoubtedly is based on the principle of government responsibility to the public. The basis has always been examination, and therein lies the chief supervision problem. With our dual system we have both state and national examiners. We recognize these functions have been handicapped both as to continuity of policy from administration to administration and the difficulty of employing the best men. We should insist on larger appropriations for banking departments to strengthen supervision.

Examinations conducted by clearing house associations are of more real value than those made in any other way. The clearing house examiner has the advantage of serving a smaller group who have voluntarily associated themselves for mutual protection and whose only concern is the solvency and proper conduct of all parties. He works under the best bankers and his compensation attracts the best talent.

Basis of Objections

THE first objection raised to the clearing house examiner idea usually is that we have too many examining and inquisitorial bodies, that we are constantly harassing our employees and our customers as a result of these examinations, and that the adoption of a clearing house examiner would only add to the confusion. To my mind this argument is not worthy of consideration. At heart I think their real objection is one inherent in all of us: "We are running our own institution properly, and it is none of the other fellow's business what we are doing. We do not propose to have our competitor furnished with all of our trade secrets."

The public in those communities where

clearing house supervision obtains has been so often told that no depositor in a clearing house bank has ever lost a dollar that there is danger of their assuming such losses will never occur. Under these circumstances the clearing houses of the country are shouldering a great responsibility, and it cannot be too often or too specifically emphasized that clearing house membership does not entail guarantee of deposits or integrity of management, but that it only insures drastic supervision consistent with independent management and that its record justifies public faith.

Bankers' Best Weapons

ANOTHER criticism is that, smaller bankers assert, the whole Clearing House proposition is just another attempt of the big bankers and the large institutions to dominate the smaller institutions. This is probably a natural reaction, but it certainly is not sound, and I am happy to say that most of the smaller banks in Chicago hold the Clearing House Association in the highest regard and that membership by smaller banks generally is limited only by the capacity of the examining force. I have no doubt whatever that a similar situation will develop in any of our cities when the smaller banker is properly advised of the functions of the system.

Who is most concerned in the question of banking integrity? I am aware the usual answer is the shareholders, that they have at risk not only their capital investment, but their double assessment liability, and naturally they alone are most concerned in the matter. I think it may well be questioned if either shareholders or management is most vitally concerned. Another party, the most numerous and representing the greatest financial investment, is the depositing public. It is his welfare that has been the basis for all supervision and regulation.

According to figures compiled as of June 30, 1922, shareholders have invested in all kinds of banks \$2,950,000,000. These institutions at that time had a surplus account of \$2,700,000,000, or a total of \$5,650,000,000, while depositors had in trust with the same institutions \$37,200,000,000. In other words, not considering the shareholders' additional liability, the public had almost six and one-half times as much at risk in the banks of the country as had shareholders, and more than four times as much as shareholders, considering capital, surplus and double liability.

It has always been failures that have renewed the clamor for the guarantee of deposits, and other unsound legislation. Such agitation will certainly increase as depositors become more numerous, unless every facility is exercised by bankers themselves to render failures almost impossible. If the individual unit of banking institution is the correct system for this country,

it must demonstrate it by its record, because in the end public opinion will control. If bankers shape a friendly public sentiment, their position is secure. If that sentiment is furnished by the enemies of the system, the system will fail.

In my opinion the two most effective weapons available for those interested in the maintenance of American banking institutions are the agencies of the clearing houses and the Federal Reserve system. If the associations opposed to branch banking will nail to their masthead the development of the principles of clearing house supervision and the maintenance of the integrity of the Federal Reserve system as originally intended, I have no doubt whatever they will weather the storm of any opposition.

There are two outstanding ends which it is always desirable and absolutely essential to maintain. First, solvency of institutions and security of deposits. This can unquestionably best be obtained through a general application of the principle of clearing house supervision and regulations. Second, the ability of our institutions to serve the nation, and this in turn is only possible of achievement through the preservation of the integrity of the Federal Reserve system.

Possibility for further development of the clearing house system lies in the direction of getting the examination idea inaugurated throughout the entire country as nearly as possible. To me it is utterly amazing that with some 330 cities maintaining clearing houses, less than 35 have instituted examinations, and many of these have so limited and restricted their inquisitorial functions as to make their efficiency almost nil. I take it for granted there will be no let-up in efforts to convert the remaining clearing house associations.

Bureaus of Credit

A POSSIBLE further development of the clearing house is the installation of bureaus of credit. To my mind such bureaus are of special value to banks in larger centers. Few of those not familiar with the subject appreciate the responsibility assumed by officials of the larger banks in the purchase of commercial paper.

It seems quite possible if thoroughly up-to-date credit bureaus were maintained by large clearing houses, a fair understanding of the asset condition and the total borrowings of the concerns who sell paper through brokers would be easily had and intelligent information be substituted for the more or less uncertain speculation which now attends the purchase of this paper. No doubt a service of this character would be appreciated by the smaller banks, and the larger banks would be relieved of much detail.

My experience convinces me the county unit is the only practical avenue through

which we may consider our own community affairs, and particularly the channel whereby we may reach and create in the minds of the public a better understanding of the simplicities of the banking business.

I believe it is possible to convince the smaller bankers that there is a real need for them to cooperate in every manner possible, not only for their own protection, but because of the dangers to which they subject themselves and the banking business as a whole, if they permit public opinion to become warped by false information and vicious agitation. We are cussed and discussed so much that when a particularly vicious assault is made on us, individually or collectively, we are likely to dismiss the subject with a shrug of the shoulders and an "Oh! What's the use?" Whereas, as a matter of fact, we ought to make it our business to answer with the facts. If we do not educate the public, the demagogue will, and once educated in the wrong direction, he can use it to make trouble for us.

Instrument Is Ready

CERTAINLY no better vehicle could be desired than is ready to the hand in the 25,000 odd country banks in the United States whose principal shareholders are in most cases the small merchant, professional man and farmer. These can be fashioned into a vital and vocal influence for banking. If we can establish some of the essential principles of the clearing house system in connection with the county organizations, and can get the county organizations to adopt a program along the lines of the activities of the clearing house and the value of the Federal Reserve system, we will have gone far toward selling our business to our own customers and will have created before very long public sentiment which will relieve us of the ever recurring threat of additional government regulations and deposit guarantees.

From time to time we may not agree with all the policies of the Federal Reserve Board or of the management of the particular bank of which we are a member, but on the whole I have yet to find an officer of any important institution who would openly advocate the abolition of the system.

Unfortunately the attitude of the officers of some smaller banks is not very friendly to the Federal Reserve system and I recently have had said to me by bankers who should have thought differently that, so far as they were concerned, they did not care how soon the system was wiped out of existence. It is easy, of course, to understand why the smaller banker feels that it is the large bank which secures the direct benefit from the Federal Reserve system. They feel naturally that they have little or no need for it since they secure from their city correspondents all the service and assistance required. They believe that the management of the city banks is in closer touch with their local problem and understands more fully their needs than does the management of the Federal Reserve banks. It must be admitted that to some extent these statements are true. It is to be regretted that in some instances the management of the local Federal Reserve Bank has not shown sympathy, if even intelligent understanding, of the country bank problem. They seek to condemn the System because

of the frailty of the human element in management and judgment, which if some of us were subjected to, would eliminate us from the banking equation. These critics of the system do not go far enough in their analysis. While it may be true that they receive little or no direct benefit from the system, many of them might if they would, and those who cannot have institutional contact with the system receive benefits and advantages from its existence which are none the less powerful because indirect. After all, our concern is for a sound banking system. This is of just as much importance to the small banker as the large and if experience counts for anything we are forced to admit that our whole banking structure was never as sound as at present, and this notwithstanding that in no time in the history of the country has the system ever gone through so difficult a period as that embraced in the life of the Federal Reserve system. The system cannot be maintained without the support of public sentiment and favorable public sentiment is utterly impossible without approximate unity and cooperation of all kinds of bankers at all times.

WE may not all agree on the question of par collections or as to whether or not the country bankers were urged to borrow too much and then forced to pay too quickly. It may even be debated as to whether all eligible banks should or should not join the system, but so far as possible all these matters should be argued and settled between bankers themselves because if the quarrel is taken to the public and the settlement of the argument left to the arbitration of politics, we may be sure that the solution adopted will not be economically sound nor make for the welfare of our banking institutions. We need no better proof of this than is embraced in a full understanding of the extent to which public and political influence has determined the personnel of the Federal Reserve Board in recent months. In the original instance it was clearly contemplated and specifically provided that at least two members of the Federal Reserve Board should be trained in banking and finance. With no criticism whatever of the personnel of the present Board, all of whom are estimable gentlemen, it is a striking coincidence that the original provision with respect to trained bankers has been eliminated from the act and the only specific requirement with respect to the personnel of the Board at the present time is that one of them at least shall be a farmer. I personally did not oppose that amendment. The farmers of this country have a great deal at stake and our financial system should be as responsive to their requirements as is possible to make it consistent with sound economic and business principles. I believe it is a good influence to have a real dirt farmer brought face to face with the problems and complexities of our banking machinery. He will obtain fully as much information as he will impart and the Board on the whole, if otherwise properly constituted, should be stronger because of his membership on it. But I do feel, and I believe the farmers of this country feel, if they were permitted to voice their sound unprejudiced horse sense upon the subject, that the Board should be primarily constituted of men thoroughly

trained not only in the theory but in the practical application of the banking business as well. Surely the bankers would not insist that one of their number without farming or agricultural experience should be Secretary of Agriculture nor would the doctors or lawyers seriously contend that one of their members without other experience or qualifications should be Secretary of War. It goes without saying that all groups approve of the selection of men for these posts qualified to exercise the duties of their office. Upon the same basis of reasoning, will not the public approve of the reinstatement of the provision making it mandatory, if necessary, that at least two members of the Federal Reserve Board shall have practical banking experience, national if not international in character, such as will make them recognized authorities in economics and financial matters?

I conceive it to be our duty to urge with all the force at our command the application of a square deal, which is all that is necessary to preserve the Federal Reserve system and incidentally insure the integrity of our banking institutions. We can't afford to shirk this responsibility.

Economic Policy

(Continued from page 224)

Federal Reserve System in the Senate would provide a most desirable protection for faithful and conscientious board members. As it is, nobody can blame men of worth for declining service on a board where, at the end of their term, duty courageously performed will, inevitably, deliver them into the knife of politicians, whose wishes a conscientious administration of their office forced them to disregard.

Your Commission is also of the opinion that service on the board would prove more attractive if the board itself were permitted to designate its governors and vice-governors, instead of having the President charged with the duty of promoting and demoting individual members according to his preference.

Furthermore, it may be worth while to amend the Federal Reserve Act so as to make the governor the chairman of the Federal Reserve Board, the Under-Secretary of the Treasury becoming a member of the board ex-officio, instead of the Secretary of the Treasury himself, who, naturally, is generally so overburdened with other duties that it is quite impossible for him to be a regular attendant at the board's meetings.

Finally, your Commission wishes to reiterate the recommendation, repeatedly made by this Association, that the major function of the Comptroller of Currency be transferred to the Federal Reserve Board with a view to bringing about a simplified and uniform system of examinations and rulings. The present system makes for costly duplication and, in the past, has often led to unnecessary delay and irritation. The Federal Reserve System is one of the most precious assets of our country. No effort should be spared to diagnose and remove in its very beginning any unhealthy growth that, if left undisturbed, may sap the strength of the Federal Reserve System and undermine its integrity.

What We Don't See

By WILLIAM A. SCOTT

Director School of Commerce, University of Wisconsin

IN the years immediately preceding and succeeding the revolution of 1848, the French economist, Bastiat, was impressed by the false reasoning on economic matters of large numbers of the French people and by the evil consequences resulting therefrom. Among the latter he reckoned their persistence in the maintenance of a commercial policy which, in his opinion, handicapped their economic development and the radical, socialistic experimentation of the revolutionary government which succeeded Louis Philippe. In order to illustrate the faults in his countrymen's mental processes, he wrote a number of pamphlets, among them one entitled "What We See and What We Don't See." In this he pointed out their apparent inability to trace the more remote consequences of acts, laws and reforms. They saw, he said, only the immediate results, and, if these seemed to be good, went ahead, unconscious of the more remote consequences which they did see and which were often very bad. In other pamphlets he illustrated their inability correctly to interpret what they saw about them because of their failure to see what was taking place beneath the surface, and their inability to discover the relations between economic phenomena.

During the last few years I have often been reminded of Bastiat's pamphlet. All the kinds of bad reasoning noted by him have been illustrated here, in the United States, and for that matter in France and the other countries of Europe, during this period.

During the war, for example, our Government took over the operation of the railroads. What we saw were the advantages of better cooperation among the different lines, the elimination of interruptions from strikes, and the more rapid and certain transportation of soldiers, sailors, war materials and equipment. What we did not see were the increased costs and decreased efficiency of operation, the higher passenger and freight rates, the increased costs of production, varying in amount between different commodities and localities, the increased prosperity of some communities and the decreased prosperity of others, the complications involved in holding the scales of justice even between some producers and others, the disturbance of the relations between the railroad labor unions and the railroad companies, and innumerable other consequences which followed from there.

Price Regulation

DURING the war we also arbitrarily regulated the prices of a large number of commodities. What we saw was the prevention of profiteering and the stimulation of the production of war materials and supplies. What we did not see was the

disturbance of the normal price and profits relations upon which the successful and smooth operation of our entire economic mechanism depends, interference with the normal flow of investment streams, the over-equipment of some industries and the under-equipment of others, and the fostering of the belief that the Government is omnipotent in economic matters and can arbitrarily adjust prices and profits to suit its own ideas of justice or expediency, or meet the desires of blocs or classes that may chance from time to time to be politically dominant.

Early in our history the practice of exempting from taxation bonds issued for public purposes was inaugurated and has been persistently adhered to. What we saw were lower interest charges and taxes, and the avoidance of friction between the Federal and the State governments. What we did not see was the interference of the practice with the working out of an equitable taxation system and the diversion of capital from industry and commerce to public improvements at a critical period in our history.

The farmers have for some time been and still are suffering from the fact that the prices of some of their staple crops are relatively low. What they need and want is higher prices for these staples. The Government arbitrarily fixed these prices at a high level during the war; therefore, it is recommended that it should do the same thing again. The innumerable consequences, better incomes or the elimination of losses for the farmers, are seen. The remote consequences are not seen and, therefore, disregarded.

The war greatly increased the expenses of government and rendered higher taxes necessary. On the principle that people should contribute to the support of government according to their abilities, we levied graduated income taxes. What we saw was the increased public revenues and the distribution of taxes according to a principle which we believed to be just. What we did not see was the diversion of capital from essential industries to public uses through investment in tax-free securities and the partial defeat of the very ends we had in view in the levy of these taxes.

During the war and for two years following it prices rose rapidly in this country, and at the same time there was a rapid expansion of bank credits. Then followed a slump in prices and a contraction of bank credits. The period of expansion was synchronous with low discount rates at the Federal Reserve Banks and that of contraction with high rates. The interpretation of these phenomena, widely adopted, was that the expanded bank credits caused the high prices and the contracted bank credits the low ones, and that the low discount rates at the Federal Reserve Banks caused the credit expansion, and the high rates the credit contraction. The inevitable

conclusion was that the Federal Reserve Board, which fixes the rates, was responsible for this entire series of events. It should, therefore, bear the blame for whatever suffering resulted, and the law, by which its actions are controlled, should be so changed that in the future discount rates will be so regulated as to keep prices stable. There is a group of people now working toward this end and urging upon Congress this reform.

The war forced inconvertible currencies on the warring nations of Europe, and gold ceased to be used as a medium of exchange and has not yet been restored. This phenomenon has been interpreted to mean that the gold standard has been scrapped; that it does not play the rôle in the world's economy that the economists have claimed for it; that we had better forget it and proceed to reconstruct the world's exchange on some other basis.

One of the essentials of a good standard of values is the possession of independent values; that is, capacity to satisfy other wants than that for a medium of exchange; therefore, it is concluded, any commodity that possesses this quality in a high degree will make a good standard.

This country prospered marvelously in the period before the World War and during all that time we pursued the policies of protection to domestic industries and of avoidance of entangling alliances with European countries. Therefore we conclude that these policies were the causes of our prosperity, and any modification of them would bring natural disaster.

Remote Consequences

THERE are probably many reasons why we do not see, and consequently neglect, remote consequences. One is the very fact of their remoteness. What is present and directly before us strikes our vision, obtrudes itself upon us. We cannot neglect it if we would. What is remote is at the moment out of sight and can be perceived only by the action of our powers of reasoning and imagination.

A second reason—and this fact also helps to account for our difficulties in interpreting economic phenomena and in tracing the relations between them—is the complexity of the action and interaction of economic and social forces. We perform some apparently simple act, set in motion some easily comprehended force, and it combines with other forces which we do not comprehend and helps to produce complex results, which we did not dream of and which we cannot analyze.

But the most important reason is ignorance of basic facts and principles. There are certain facts and principles which lie beneath the surface and are not visible to the naked eye, but are, nevertheless, more potent than those we do see. They are

constants among the variables we inject into the situation, and are ingredients in every combination of forces which produce the results we see. They are capable of manipulation, but they cannot be eliminated. They act whether we are conscious of the fact or not. No economic phenomena can be correctly interpreted and understood without knowledge of them and comprehension of the manner in which they work. They are not so complex as are the surface phenomena which we see, and they are not beyond the comprehensions of ordinary men.

The consequences of popular misinterpretation of economic phenomena and of false reasoning concerning them were serious in Bastiat's time. They are much more serious now and that for three reasons.

A Changed World

IN the first place, the dependence of man upon man, class upon class, section upon section, industry upon industry and nation upon nation is much greater than it was in the middle of the last century. Then the new economic forces, set in operation by the industrial revolution, had only made a good beginning in the work of transforming the old economic order into the new. Now this work is complete. Then there were nations and regions within nations, and classes of people here and there who were economically independent to such a degree that the failure of economic machinery to function properly affected them only slightly and sometimes hardly at all. Now it would be difficult to find such regions or classes or individuals or nations within the circle of the civilized world. Today the work of producing and distributing the necessities, comforts and luxuries of life is so divided and distributed among the people of the world that no one performs more than an infinitesimal part of the task of supplying his own wants, and any interruption to

commerce or industry, like the casting of a pebble into the sea, spreads its effect in more widening circles. No individual, no region, no community, no nation can now control its own fortunes. We all are affected by what others do. Events and actions over which we have no control affect us quite as much, and sometimes more, than those of which we are masters.

The World War illustrated this interdependence in a thousand ways. We wanted to keep out of it and we tried our best to do so, but it was impossible, and it will be equally impossible for us to keep out of any future war that involves any considerable number of nations anywhere in the world. In thousands of ways the interests of her people are so involved with those of peoples in other parts of the world that what affects them affects us. However much we may deserve isolation, it is an impossibility and ceased to exist long ago. The fact that our Government pursued the policy of avoiding entangling alliances did not and could not prevent individuals and corporations from entering into all kinds of entangling alliances with foreigners, and it was these that counted in the critical period of the war.

On account of this interdependence we are all interested in the right ordering of the economic affairs of our own community, State and nation and of the entire world. We cannot afford to make mistakes ourselves or to allow other people to make them, because mistakes mean loss and suffering to all of us and disaster to some of us.

New Facts

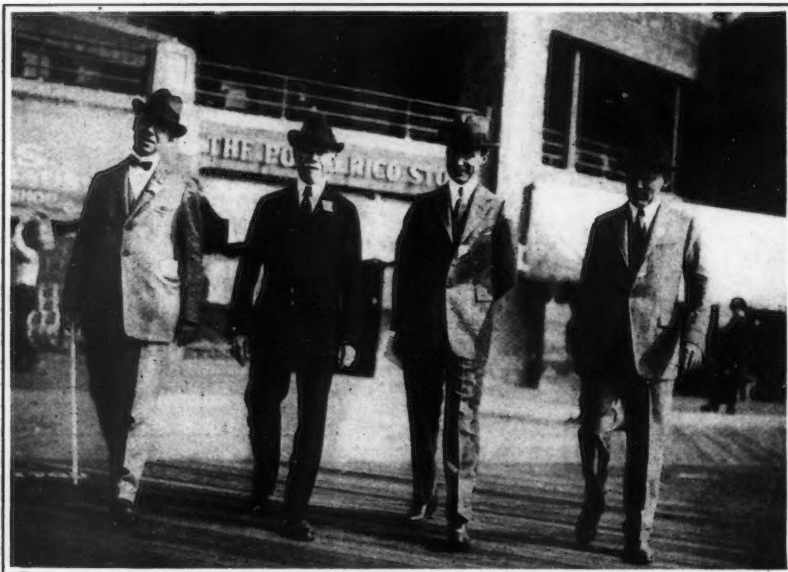
LET us not forget that this degree of interdependence and the consequences of it are comparatively new facts in the world's history. It has been a matter of gradual development since the beginning of the last

quarter of the eighteenth century, but the pace of the movement has been accelerating, in recent years, very rapidly. It is not surprising, therefore, that many of our people are unconscious of these conditions: that they still think that each man's business is his own affair, and resent any interference from others; that each one has a right to make as many mistakes as he likes; that there is no great harm in class conflict and class legislation and in political, economic and social experimentation. They do not realize that the happiness and prosperity, even the lives, of all of us depend upon the smooth running of very complicated and delicately organized world machinery, which can easily be thrown out of adjustment and wrecked by the actions and mistakes of themselves and their political and economic associates.

A second reason why ignorance of basic economic facts and principles and popular mistakes in the interpretation of economic phenomena are more serious now than they ever have been in the past is the magnitude of the world's population in relation to its natural resources. There are several times as many people in the world to be fed, clothed, housed, educated and amused as there were 150 years ago, and the increase is still continuing. The natural resources of the world have not appreciably changed during that period and will not change appreciably during any period of time short enough to concern us. Our knowledge of these resources and of how to utilize them in the satisfaction of human wants has enormously increased, and the wants of this larger population are undoubtedly better satisfied than were those of the milder population of former times. But these conditions are due to the development of this complicated and delicately organized economic mechanism of which I have spoken, and can only be continued by the maintenance and continued functioning of this mechanism or by its replacement by as good or a better one. If we wreck or seriously impair it, many of us will die of starvation. The present population of the world cannot be fed and clothed and housed by the primitive economic methods of our ancestors. We cannot all become farmers of the kind that flourished in the early days of the Republic—farmers who were economically self-sufficing, producing the food for their own families and the raw materials for their clothes, implements and buildings, manufacturing in their own households the necessities and such comforts of life as they enjoyed and building their own houses and the shelters for their animals. There are not farms enough to go round, and, even if there were, most of us would starve to death before we learned how to cultivate them.

We Cannot Escape

WE cannot escape from our present dilemma by going back to primitive conditions. If we live at all, we must be cooperative in the production and distribution of the wealth we need, either in accordance with present methods or with others equally efficient. Interdependence of man upon man and of nation upon nation is a necessity of modern life. We have no choice in the matter, except the choice be-



Boardwalk Snapshots: W. Van Blarcom, Cashier Second National Bank of Paterson, N. J. Geo. W. Norris, Governor Federal Reserve Bank of Philadelphia. Melvin A. Traylor, President of the First Trust and Savings Bank of Chicago, Harry J. Haas, Vice-President of First National Bank of Philadelphia

tween living and dying. If we choose to live, we must learn to live together in peace and comparative harmony, and the price of such living is a certain minimum knowledge of the necessary conditions of harmonious living together and willingness to conform to those conditions.

A third reason why popular ignorance is more dangerous now than ever before is the fact that for the first time in the world's history the control of the political machinery of the civilized world is in the hands of the masses. The World War swept away the last remnants of the old monarchical and aristocratic régime. Everywhere in Europe, as well as in America, the people are in control. How will they use their power? That is the question of questions of our day, and upon its answer hangs the fate of all of us.

The danger of the situation is apparent. Political, economic and social relations were never so complicated and so difficult to unravel and to understand as at the present time. Their regulation and proper manipulation never required so much insight and ability, such breadth and depth of knowledge, such devoted, unselfish and disinterested service on the part of public officials and of the men who manage and direct our innumerable private enterprises. The masses of the people, though better educated than ever before and much more intelligent and better trained in some countries than in others, are nevertheless relatively ignorant. They do not understand the complicated political, economic and social machinery over which they have acquired control.

This fact is evident to even the casual observer. The crudest kind of experimentation is in progress, without any apparent appreciation of the seriousness of it. Theories exploded generations ago are widely current, and fallacies a thousand times exposed are daily perpetuated. Our situation is not unlike that of the passengers of a fast railroad train the engineer, fireman, conductor and other members of the train crew of which have never before had any experience in their respective jobs, or of a community whose automobiles are driven by children or by men and women who know little or nothing about the mechanism of the machines they are driving.

To Lessen the Danger

CAN anything be done to remove or materially lessen the danger in which we find ourselves? So far as I can see there is but one hope, and that, indeed, a remote one; namely the education of the masses to an understanding of their new duties by some other means than experience. Experience is proverbially a hard teacher, and in this case may not even be a good one. One might wreck innumerable railroad trains and kill multitudes of passengers before learning to run a locomotive by simply pushing and pulling the levers and observing what happens. In this case some knowledge of the mechanism is essential to success. The same thing is true of our social machine. Endless experimentation may yield only negative results, and it may be hopelessly wrecked long before we have finished finding out what not to do.

There are many obstacles in the way of a successful popular campaign of education along economic and social lines. One is the magnitude of the task. In this case we are concerned not simply with the young people in our schools, colleges and universities, who are indeed important and must not be neglected, but also with the grown-ups who cannot be reached through the public schools. These are now in control and must be reached at once if the task is to be accomplished. The education of the young people will provide safely for the future, but the danger is here and now.

Another obstacle is the suspicion and prejudice of the masses against any and all teachers, except those who come from their own ranks. Few of them are able to detect the true from the false, and they have faith only in their own leaders, some of whom are as much in need of education as those they lead.

Despite these and other obstacles, however, ought not the job to be undertaken, and, if so, by whom? I believe it ought to be undertaken, and that the American Bankers Association is the organization best fitted to undertake it. The following are the grounds for my belief:

In the first place the principles of money and banking must have an important place in the education program. Ignorance concerning them is dense and widespread and at present is very dangerous. On account of the central place which our monetary and being systems occupy in our present-day economic mechanism, ignorant tampering with them will wreck us sooner and more completely than anything else.

In the second place, bankers are more closely and vitally in touch with all classes of business men than any other group of persons and are better organized than most others. The American Bankers Association now reaches every section of the country and is represented in every city and town of any importance.

Your business has forced you to study

the basic facts and principles of our economic order more thoroughly than any other class of business men, and you are, therefore, better fitted to serve as teachers than members of any other economic group.

You are a permanent and growing organization, and this is a permanent and growing task. So long as the people rule—and no believer in democracy expects that the power they have acquired will ever pass from their hands—the work of preparing them for their duties by education must continue. No temporary organization like that, for example, which was called into existence by the task of creating our Federal Reserve System is, therefore, fitted for the job.

Export Dairy Business

THE American cow retains her popularity in the Orient, in spite of the neglectful attitude of the Occident, says the Trade Record of the National City Bank of New York. The export of American condensed and evaporated milk to the Orient increased 60 per cent during the first seven months of this year, although the export to Europe during the same period fell off 35 per cent.

The reason for the large demand for milk in China, for instance, is that China, with a population of 400,000,000, has only 22,000,000 cattle of all classes and a very small percentage of those are used for dairy purposes. Japan with its 50,000,000 people has only 3,500,000 cattle, and French Indo-China with 20,000,000 population has less than 250,000 cattle.

While India has more cattle than any other country in the world—130,000,000—and double that of the United States, yet our exports of milk to that country in the last five years totals more than 60,000,000 pounds.

The value of American exports in milk in various forms has grown from \$17,000,000 in the decade preceding the war to \$400,000,000 since the war.



A Boardwalk Snapshot: O. W. Murdock, Cashier Hartwick National Bank, Hartwick, N. Y. E. L. Sergeant, Vice-President, and E. O. Rogers, Director in same bank

Banker-Farmer Team-Work

By D. H. OTIS

Director, Agricultural Commission American Bankers Association

THE interdependence of the farmer and banker is so close that self-preservation demands that they pull together. If agriculture fails, we all fail. There are no two industries that offer greater opportunities for mutual helpfulness, for increasing profits and bank deposits than do banking and farming.

The banker-farmer movement presents a program that reaches down through the surface to the very root of things. It recognizes the truth that bank prosperity depends not upon the prosperity of a few, but upon the prosperity of all and especially of the average man and the average woman.

Periods of low farmer-purchasing power are invariably followed by a decided increase in the number of business failures. Business failures since 1866 reveal the close relation between agriculture and business. Further, when the income per acre is increased from one to two dollars, there is a direct effect in decreasing the number of business failures and, vice versa, with a decrease of one to two dollars in the income per acre, business failures mount steadily upward. If this difference of one to two dollars in the farmer's income per acre promptly and effectively influences the number of business failures over the entire country, can any business man question his interest in agriculture?

Bankers are affected more quickly and more directly than other business men. A period of agricultural depression is immediately noticeable in the balances that the country bank carries with its city correspondents.

There are some fundamentals in farming with which all business men should be familiar. Success in farming is the basis of farm life. Good homes and modern labor-saving devices are not a part of the unsuccessful farmer's equipment. Furthermore, the unsuccessful farmer is not buying the products of the factory and of industry.

Deceptive Prosperity

ABANK would not long succeed if it should continue to use its capital stock for running expenses; neither will the farm. No matter how large the bank account at the start may be, it will not stand continual checking without the addition of deposits. The late lamented Dr. C. G. Hopkins said that "the farmers of this country have been living, not upon the interest from their investments, but upon their principal; and whatever measure of apparent prosperity they have had in favored localities has been largely taken from their capital stock. The boastful statement that the American landowner has become a scientific farmer is as erroneous as it is optimistic. Almost every effort by the American farmers has resulted in decreasing the fertility of the soil."

The banker who drives into the country and observes this process of mining the fertility from the land should feel that to that extent the resources of his bank are being sapped.

Three and four years ago some of the Southern bankers were living on cotton. Large crops with high prices brought in large sums of money. The farmers, business men and bankers all were happy. What happened in the two years following the high prices for cotton? To use a slang expression, all were "busted."

One-Crop Farmers

AND yet some of our bankers are continuing to loan money to the one-crop cotton farmer. I have a notion that when such a farmer comes around for a loan that the banker should make the loan on the condition that the farmer keep at least one cow, one sow and a couple dozen hens, at least enough livestock to feed his own family.

It was a surprise to me to find in one of our Southern States 20 per cent of the farms not producing a single egg, 37 per cent not raising even one lone chicken and 36 per cent not having a single dairy cow. In another State, well adapted to the poultry industry, the annual importation of poultry products amounted to \$19,000,000. In still another State I learned of one county in which there were located 1000 farms and only seventy cows. This means that agriculture is sick, production is unbalanced. Farmers are paying freight and other overhead charges on food products they ought to be raising at home.

Of course, more diversified farming may mean less automobile riding; it ought to. Our economic problems cannot be solved unless we are willing to work. The one-crop farmer is not performing his share of work. He needs profitable employment throughout the year. Loafing on the farm ought to be made unpopular. Business men work throughout the entire year. Why should not the farmer? If he did, there would be less time to listen to the agitator. The latter only increases discontent, makes men less capable and prolongs the time of recovery. The farmer must work his way out and not seek for high prices by legislation.

But if we get our farmers working full time, will we not have overproduction? This overproduction cry is too often a thorn in the flesh; it is apt to be misleading; it blinds us to the real issue. There may be times when certain crops, because of climatic or economic conditions, are unprofitable, and yet there are other crops that are profitable in a well worked out system of diversification. At present wheat is said to be selling below the cost of production and yet corn is higher than it was

a year ago. Wheat is lower. In the livestock sections we seldom hear of an overproduction of alfalfa or clover. In all sections of the country we are importing either food or feed that we ought to be raising at home. Our cropping systems need to be readjusted to meet present needs. We need to do more constructive thinking.

The great end of farming, banking, or any other legitimate business or profession is to grow splendid human beings, physically, mentally and morally. Farming is a life as well as an industry. The hope of this country lies in its young people. Through the boys' and girls' clubs the banks of this country have an opportunity for service that is unparalleled. Much has already been done; much still remains to be done. Bankers can go still farther. They can find here and there bright intelligent boys and girls with a noble purpose in life, whose life's destiny hinges upon securing a college education, but whose parents, unfortunately, are unable financially to send them. Such young people need advice from a sympathetic banker. They need to have explained to them what is meant by a productive investment. By taking out life insurance, such loans could be well protected, and according to statistics as to the earning power of college graduates, it would take only a short time after graduation to pay back the entire cost of an education. What a tremendous influence for good the banking fraternity could exert if each bank in this country would take the responsibility of encouraging one earnest and industrious boy or girl to invest in a college education! Loans made for such a purpose will bring the highest returns in satisfaction and leave to society a heritage of untold value.

Periods of hard times give the banker an opportunity to drive home some good lessons. When wheat is selling below the cost of production, when the boll weevil is sapping the very life-blood of the one-crop cotton farmer, then is the time the banker can effectively call the farmer's attention to the more favorable conditions of this fellow farmers who diversify. A few dollars and a few kind words will almost perform miracles in times of financial stress.

Chance for a Profit

WHATEVER our discouragements may be, we should not lose faith in the ultimate outcome of agricultural development. Hard times will not always last. People must eat, and sooner or later adjustments will be made, and the farmer will come into his own. One poor crop season may change conditions. The farmer who attempts to jump from wheat to corn, from corn to cotton, and from cotton to sugar cane with the thought of hitting high prices is very apt to discover that he jumped at the wrong time.

A Rising or a Setting Sun

By HON. JAMES M. BECK
Solicitor General of the United States

Revolt Against Authority is the Century's Greatest Problem. Keystone to Our Constitution Under Fire. The Ringing Lesson of Washington's Farewell Address. Dangers of Radicalism and Man's Realization of the Powers of Class Rule.

I HAVE selected a somewhat enigmatic title for my address. I wonder how many of my audience recognize the historical allusion. When I last had the pleasure of addressing this association I selected as a subject the fascinating story of the manner in which the American Revolution was financed in its first two years by one of the most interesting personalities of the Eighteenth Century, Beaumarchais. After I delivered that address I was told that few of my audience had previously known the facts that I narrated. This seemed strange to me, for apart from the fact that the story is as fascinating in its dramatic interest as a Dumas novel, I should have thought that an association of bankers would have peculiar knowledge of the methods whereby our war of independence was financed.

If any considerable portion of my present audience is similarly ignorant as to the historical allusion of my title, then it is but another confirmation that even with an American audience of exceptional culture—for bankers are generally exceptionally well-bred men—there is too little time given to the study of American history.

This indifference is not peculiar to your class. I know of no people who are as ignorant of their own history as the American people, and this is the more amazing for in all the annals of mankind there is no more fascinating story than the development of the American Commonwealth. With its opening scene—the landing of the London adventurers at Jamestown—to the present hour when America is potentially the greatest nation of the world, it presents the most stupendous drama ever played upon the stage of this "wide and universal theater of man."

My title refers to one of the most interesting and dramatic, but little known, episodes in American history. One hundred and thirty-six years ago this September, thirty-nine men met for the last time in

the State house in Philadelphia. They had been in session for four long and weary months. Their problem was as great as it was unique. For the first time in human history the representatives of a nation met to devise and promulgate a comprehensive scheme of government. Like

of the immensity of an achievement which was to immortalize them all. Of the fifty-five delegates who had originally met, sixteen had left before the final day in disgust. Of those who remained a number refused to sign as individuals, and at least three were outspoken in their criticism. It

is true that Bancroft says that when the work was completed they were "awestruck" at its greatness, but Bancroft was of that class of historians who could not refrain from making every historic episode a Homeric epic. The fact is that the constitution came near being the stone rejected by the builders. Not with elation but with great reluctance the members signed in behalf of their respective States, and they were induced to do so by Franklin, the true founder of the American Commonwealth, who, in a speech of ingratiating wit, reminded the dissenting delegates of their fallibility in modestly suggesting his own.

The long suspense had ended, the crisis had passed, and it was then that Franklin, pointing to the half-disk of the sun, painted on the chair of the president of the convention, made the prophetic remark that, while he had often, in the weary and arduous months of the convention, wondered whether that sun was a symbol of a rising or a setting sun for that America, to which he had already given more than half a century of public service, concluded:

"But now at length I have the happiness to know that it is a rising and not a setting sun."

On this day, when the sun, whose rising Franklin so clearly saw, is seemingly in its noontide splendor, with its rays illuminating the whole world, we can see the full realization of the sage's prophecy. That sun is still ascendant in the constellation of the nations, for who can ignore the momentous shifting of the world's center of gravity which recent events have evidenced? It does not require the gift of prophecy to



HON. JAMES M. BECK

all true master-builders they "builded better than they knew," for when they adjourned on Sept. 17, 1787, it was not with elation in their hearts but rather in the spirit of the deepest depression. Although their work was to be proclaimed by the common consent of mankind as the "greatest piece of statecraft ever struck off by the brain and purpose of man at a given time," yet they were quite unappreciative

realize that the future destinies of the world will be determined, not alone from the Tiber, the Danube, the Rhine, the Seine and the Thames, but also and predominantly, from the Hudson, the Potomac and the Mississippi.

Less than fifty years ago the great nations of the world cared little for America's attitude on any public question, but today it is pathetic to note their despairing Macedonian cry to America: "Come over and help us."

Remarkable Similarity

THERE is a remarkable similarity between world conditions in 1787 and those of the present hour. Then, as now, a world war had just ended. Then, as now, there had been a swift and terrible reaction in the souls of men from the nobility of purpose and the divine spirit of self-sacrifice that had animated the nations in their fierce struggle for existence. As Washington said: "The whole world was in an uproar," and again he said the difficulty was "to steer between Scylla and Charybdis." Especially deplorable were the conditions in the colonies in the years that had intervened between the treaty of peace and the meeting of the Constitutional Convention.

The spirit of anarchy, or, as we would now say, Bolshevism, had swept a people who had already been gravely tried in the fiery furnace of war.

Credit was gone, business paralyzed and lawlessness rampant. Not only between class and class, but between State and State, there were acute controversies and an alarming disunity of spirit. The currency of the little nation was valueless. It had shrunk to a nominal ratio of one cent on the dollar. Even its bonds were sold at one-fourth their value. The slang expression "not worth a continental" is a surviving evidence of the contempt for the financial credit of the country. Tradesmen derisively plastered the walls of their shops with worthless legal tenders.

When invited to attend the proposed Constitutional Convention in Philadelphia, Washington at first declined. Despair had almost broken his great heart. Suddenly, the news of Shay's rebellion in Western Massachusetts came to his startled ears. It was essentially, as we would now say, a Bolshevik movement, an uprising of debtors to prevent the collection of debts or of taxes. Courts of law were seized to subvert order and destroy property rights. The revolution spread from Massachusetts to adjoining States, and threatened to strangle the infant Republic at its birth. Only an army of five thousand men, then a relatively large number, and an actual battle sufficed to end it. Civil war had come.

Washington saw this in his retirement at Mount Vernon. With acute anguish of spirit he wrote:

"What, Gracious God, is man that there should be such inconsistency and perverseness in his conduct? It was but the other day that we were shedding our blood to obtain the constitutions under which we now live, and now we are unsheathing our swords to overturn them. The thing is so unaccountable that I hardly know how to realize

it or to persuade myself that I am not under an illusion of a dream."

Once again the father of his country came to their rescue. Turning his back upon the sweet retirement of Mount Vernon, which he had thought would be his solace for the nine years' of absence during the great struggle, Washington again accepted the call of his country and was hailed on his journey to Philadelphia to attend the Constitutional Convention as the savior of his people.

So little was the interest in the project and so weak the faith in the possibility of any favorable result, that only a few delegates had arrived on the day set for the beginning of the convention and for many days it was impossible to secure a quorum.

While waiting for enough delegates to form a bare quorum of the proposed convention, Washington gathered the faithful few about him and, as Gouverneur Morris narrated years afterwards, he said:

"It is too probable that no plan that we propose will be adopted. Perhaps another dreadful conflict is to be sustained. If, to please the people, we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise a standard to which the wise and just can repair. The event is in the hand of God."

Vision of the Fathers

IN 1776 the task of our fathers was to make America safe for democracy; in 1787 it was to make democracy safe for America. The latter was the more difficult task. The fathers worked with a sad and terrible sincerity begotten of the awful necessities of the situation. They were plain men and their unequalled success owes much to their simplicity in thought and action, for the great things of life are always simple and sincere. They preferred to walk on mother earth's hard ground of reality, over which they painfully struggled with bleeding feet until they had reached the eminence of a marvelous achievement. They were very practical men and never more practical than when they formulated this wonderful instrument of government. While they had little of the spirit of doctrinarism, yet the great charter, which contained about 4000 words, 89 sentences and about 140 distinct provisions, stated a broad and accurate political philosophy which constitutes the true doctrine of America and indeed the whole law and the prophets of free government.

The principal features of this philosophy was a belief in representative government as distinguished from direct action of the people, a dual form of government which gave power to the central government for matters of purely national concern, but otherwise preserved the spirit of home rule to the constituent States; the limitation of the power of democracy by protecting the individual from the unfair abuses of majority rule; the development of a fine and virile individualism; the principle of an independent judiciary to preserve the Constitution and to protect the individual from the abuses of popular government; the system of governmental checks and balances to

prevent usurpation of power by any branch of the government, and last, but not least, the concurrent power of the Senate and the Executive in formulating the policy of the nation with respect to the rest of the world.

These, in brief, are the fundamental principles of the Constitution, and while some of them were merely the amplification of great principles of free government of previous ages, some constitute an original and very notable contribution to the ordered progress of mankind.

In minor details the Constitution was not static and admitted of progressive adaptation to the changes of the most progressive age in human history, but the principles, which I have already briefly summarized, were not of the day but were fundamental verities of liberty for all time.

Were Franklin again to revisit the glimpses of the moon and enter this hall today, would he, with his unequalled prescience, still regard the sun as a rising one? Would he, if he knew the developments of the last quarter of a century, regard this great luminary of the nations as in the noontide of its splendor, or would he regard it as slowly disappearing behind a dark cloud of Socialism—only to set some day in the flaming West, which would write its irrevocable sentence upon this as it has upon so many strong governments that have preceded?

What would Washington say if, clad in brown velvet and with sword by his side, he entered that doorway and took his place upon this platform? We can know his thoughts from those which he expressed in the farewell address—the noblest political testament that any founder of a State ever gave to a people whom he had led to high achievement. Let me quote the significant words which he, as "an old and affectionate friend," addressed not only to his own generation, but to all that were to follow, and therefore to this generation:

"It is of infinite moment that you should properly estimate the immense value of your national union to your collective and individual happiness. . . . Toward the preservation of your government and the permanency of your present happy state, it is requisite not only that you steadily discountenance irregular oppositions to its acknowledged authority, but also that you resist with care the spirit of innovation upon its principles, however specious the pretexts. One method of assault may be to effect in the forms of the Constitution alterations which will impair the energy of the system, and thus to undermine what cannot be directly overthrown."

Constitution Challenged

WASHINGTON well saw that the Constitution could be more easily undermined from beneath than overthrown from without. If this were true in the day of our weakness, it is more true in this day of our overshadowing strength. We need not fear external aggression. This great, self-sustaining nation is probably invincible to any attack that could be made upon it by any foreign foe. Another civil war between the sections seems equally improbable; for the forty-eight States of

the Union are seemingly indissolubly bound together by the potent agencies of steam and electricity.

But we cannot speak with equal optimism of the processes which, as Washington so sagaciously pointed out, might "undermine what cannot be directly overthrown."

Thirty-two years ago it was my privilege as a citizen of Philadelphia to participate in the centennial celebration of the adoption of the Constitution. Who that participated will ever forget that memorable week of September, 1887, when the representatives of the nation met in Philadelphia to acclaim the great work of the Fathers?

The guns of the new navy of the United States awoke joyous echoes from the banks of the Delaware from their bronze throats. Down our chief highway marched the veterans of the Civil War, headed by Phil Sheridan, the "boys in blue" who with immortal valor had saved the Union in the dark days of the Civil War.

Within the shadow of the belfry which crowns Independence Hall and from which the old bell 147 years ago proclaimed "liberty throughout the land and unto all the inhabitants thereof," there met thirty-six years ago, the then President of the United States, Mr. Cleveland, the leading officials of the government, the representatives of many nations and a great body of American citizens, to thank God that a full century had attested the splendor of the Fathers' achievement. Through the cathedral arches of the trees of Independence Square there sounded in noble song the faith of a people that "ages upon ages" would be the happy lot of America.

Did Not Foresee

THIS joyous "is triumphe" of a proud and exultant people had then no minor chord of doubt as to the future. In all the public utterances that marked that noted celebration there was undoubted faith that the ship of state had weathered its hardest storms, had escaped the rocks and shoals which had wrecked other governments, and that, in the unlimited future there were before it only smooth seas and cloudless skies.

If any of us who took part in that celebration had then anticipated the portentous changes of the next twenty-five years, I think the note of exultation would, like Macbeth's "amen" have stuck in our throats. Little we then realized that before another quarter of a century had passed, every fundamental principle of the Constitution would be challenged by great political parties and responsible leaders of thought and that, within that time, there would be Americans who would openly proclaim their belief that the Constitution was an antiquated and reactionary document and an obstacle to the progress of the American people.

In measuring the force of Constitutional changes it is necessary to note the changes in the Constitutions of the States, as well as in that of the federal government. Together they form the real Constitutional system of the American Commonwealth.

The representative principle has been challenged in more than twenty-two States of the Union by the initiative and the referendum.

The basic principle of home rule has been

subverted by a steady submergence of the States which has now made of them a little more than glorified police provinces. The latest illustration is the Prohibition Amendment, whereby Congress is given power to prescribe the habits of the people in the matter of intoxicating liquors.

The guaranty of individual liberty has been violated by many socialistic measures, while property rights are destroyed from time to time by confiscatory legislation.

The independence of the judiciary is menaced by many provisions for the recall, both of judges and of judicial decisions, and the fatal impairment of the power of the Supreme Court.

Attack on Supreme Court

THE system of governmental checks and balances has been disturbed by the persistent subordination in the practical workings of the government, of the legislative to the executive; while the concurrent power of the Senate over the foreign relations of the government has been challenged by many thousands of well-meaning but misguided men.

The taxing system has been perverted to redistribute property.

The commercial power of the Union has been utilized to attain unconstitutional results which were clearly outside of the sphere of the federal government.

The Fifth and Fourteenth Amendments have been weakened as bulwarks against confiscatory legislation. The Fifteenth Amendment is in many sections a dead letter.

Under more than one administration the control of the Senate in the selection of diplomatic representatives of the government has been nullified by the appointment of extra-constitutional diplomats.

Even the concurrence of the Senate in the treaty obligations of the country has been impaired under many administrations by protocols, informal treaties and by methods of treaty-making which make the free decision of the Senate difficult, but, as events in recent years have shown, not impossible.

Still more amazing and menacing are the propositions of some of our leading public men to destroy the balance wheel of our constitutional system by impairing the power of the Supreme Court to preserve our form of government in its integrity. The Supreme Court has been the most admired feature of our institutions. No one can read our history and fail to recognize that without that court the Constitution would probably have long since perished. It has been as a great lighthouse and while the angry waves of popular passion have time and again beaten with fury upon its foundation, yet when the storm had subsided it was recognized by all men that this great lamp of the Constitution still continued to send forth its benignant rays upon the troubled surface of the waters.

It is now gravely proposed by some capable and patriotic leaders of thought that this unique and indispensable feature of our institutions should be impaired, if not practically destroyed, so that the legislatures of State and Nation may have greater power to pass statutes in violation of the wise limitations of the Constitution.

Thus it is proposed that a law whose

constitutionality is assailed shall not be invalidated unless at least seven of the nine justices are of opinion that the law is unconstitutional. It would thus be within the power of three justices to prevent the court from taking an action which two-thirds of that great tribunal regarded as essential to the preservation of the Constitution. Death or illness too often prevent a full bench. Suppose eight Justices are sitting. Two can then block any action. Suppose seven are sitting. One Justice would hold absolutely control of such decisions. Some day we may have a radical president and in the four or eight years of his power he may well have the appointment of three justices of the Supreme Court. Thus a radical faction could be formed in the Supreme Court which would make it impossible for many years for that court to discharge its great duty of preserving the Constitution. Indeed the unanimous decision of the court might be thus destroyed, for, as stated, the court does not always have a full bench and at times, through death or illness, only six justices may be actually sitting. If, therefore, such a court were unanimously of opinion that a statute could not be enforced without violating the Constitution, nevertheless its decision would be nullified because three absent justices did not concur in the judgment. A man could thus be arbitrarily deprived of liberty, property and even life in violation of the sacred guarantees of the Constitution because, although six justices of the court were unanimously of opinion that the guarantees protected him from an unjust statute, the absence of three justices had destroyed the power of the court.

Another portentous proposal is that where the Supreme Court has adjudged that a given statute cannot be enforced without violating the Constitution, yet if two-thirds of the legislative body reenact a statute, it shall nevertheless be law. This proposition has at least the democratic justification that it gives effect to the popular will, but it is the destruction of our form of government which wisely confined the power of the majority within reasonable limits. The Fathers did not accept either the omniscience or omnipotence of a democracy.

Class Rule Growing

THE men who framed the Constitution did not believe in an unlimited democracy. They regarded the tyranny of a majority as potentially oppressive as that of a single autocrat. The Constitution thus sought to protect the individual from the impairment of his reserved rights. Such was the noble guaranty of the Constitution, but it is not worth the paper it is written on, unless there is an independent judiciary to enforce it, and therefore the very keystone of the federal arch will fall if the legislative branch could thus nullify the authoritative action of the Supreme Court. Fortunately the Supreme Court is created by the Constitution and its powers could not be thus impaired by Congressional statute without an amendment to the Constitution.

Alarming as are these tendencies, infinitely more portentous is the shifting of power from the Government to organized

classes—and this tendency of our time is so grave that it threatens the very existence of organized society. When any class becomes so numerous or powerful that it can force its will upon the government, not through the ballot box, but through its control over the necessities of life, then the government in that respect exists in form and not in name, and such a nation has been Bolshevized. Bolshevism means the rule of the majority; but in its practical operation, as seen in Petrograd, it is the rule of a class. Of all oligarchies, that of a class is the most hateful.

Even in England, once preeminently the land of authority and law, there was recently manifest danger of a Soviet government—in fact if not in form. There, the miners, railroad employees and the dock laborers united in a trinity of power, not to impose their views upon their employers, but to compel the government to take political action, under the threat that otherwise the people of England would freeze and starve. This, they call "direct action"; meaning thereby that they are not content to assert the legitimate demands of their class through the ballot box, which is thus impliedly stigmatized as indirect. It is a time for plain words. "Direct action" is an insidious form of civil war, and unless it be checked, there is an end of free government.

Our own land has not been exempted from similar exhibitions of class tyranny. No one now questions the right of labor to organize, to act collectively and even to strike by concert of action to compel the employer to recognize the demands of the employed. Once unreasonably regarded as a crime, this is now regarded as inherent in the liberty of man to work or to refuse to work, as he thinks proper. But this right as all rights is not absolute and government would indeed be impotent if it could not prevent the arbitrary abuse of such power. As equal power must exist to prevent the right to strike from degenerating into an exercise of tyranny subversive of the equal rights of other people and of the State.

On the eve of the presidential election of 1916, the organization which represents the labor engaged in transportation—as essential to the life of a nation as the circulation of the blood is to the life of an individual—arrogantly served notice upon the President and Congress that their wages must be raised by statute. With a stopwatch in their hands, they demanded immediate compliance with their imperious demands; and not only did the President and the Congress yield, but even the Supreme Court bent to the storm in sustaining as constitutional by an almost equally divided vote an unprecedented exercise of legislative power. "Can such things be, and overcome us as a summer cloud, without our special wonder?"

Significance of Class Rule

IT is gratifying to add that, when a second attempt was made some months later to force, under the threat of a nationwide strike, the passage of an act, the Plumb law, which would have largely taken from the owners of railway securities their own property, both the President and the Congress,

without division of party and with a gratifying unanimity, refused to surrender to the arrogant demand. In America—thank God!—the spirit of free government is not yet dead.

Who, however, can underestimate the peril? If the labor leaders who control mining and transportation can deny to the people coal and food, unless their arbitrary demands are met, there is an end of free government. And yet when a brave attorney-general said this a year ago during the shop crafts strike, he was rewarded by sneers.

Such attempted subversions of constituted authority recall the solemn warning of George Washington in the Farewell Address, and, as I quote them, perceive the extraordinary aptness of his language to present conditions:

"All obstructions to the execution of the laws, all combinations and associations, under whatever plausible character, with the real design to direct, control, counteract or awe the regular deliberation and action of the constituted authorities, are destructive of this fundamental principle and of fatal tendency. . . .

"However, combinations or associations of the above description may now and then answer popular ends, they are likely in the course of time and things to become potent engines by which cunning, ambitious and unprincipled men will be enabled to subvert the power of the people, and to usurp for themselves the reins of government, destroying afterwards the very engines which have lifted them to unjust dominion."

Danger of Radicalism

WHO can deny that, in recent years, our country has witnessed such "obstructions to the execution of the laws," such "combinations and associations" designed "to direct, control, counteract or awe the regular deliberation and actions of the constituted authorities?"

I have dwelt upon the disintegrating tendencies of direct action, whether by organizations of capital or labor, as it seems to me the most serious menace to the perpetuity of our Constitution. When this era is seen by a later age in the perspective of history I am not sure that future generations may not recognize that the most portentous discovery in political science of the nineteenth century was the recognition by large and important combinations of men of the fact that their power to control the community by the duress of a nation-wide control of the necessities of life, as compared to the political power of the ballot box, was as a 42 centimeter gun to a toy pistol. Nothing is more striking than the decay of belief in many countries in the ballot box, or in the legislative assemblies through this medium. The whole world seems to be in the throes of revolution—in Italy, revolution, followed by counter-revolution, with a resultant beneficent dictator, to preserve this historic nation from communism, a military dictator in Spain, class war in Bulgaria, the threat of civil war in Germany and Cuba, the Cromwellian attitude of an Oklahoma Governor, are current illustrations of the world-wide re-

volt against the political state and the disposition of individuals or classes to take matters into their own hands, not through the ballot box but through violence.

How can we affirm with confidence that the waves of revolution may not reach our own country? It is true that its prosperity and the fact that the blessings of life are more generally diffused among our people than in any other country is not a fruitful soil for the spirit of revolt in America, where every man is a capitalist even if he does not recognize it, but will our smug prosperity always prove a sufficient bulwark against Bolshevism?

Is It Safe to Ignore?

IS it safe to ignore the moral poison that is being slowly injected into the veins of America by the world-wide movement of Communism which has its source in Moscow and Petrograd? It may yet appear that the turning point in modern history was when England and the United States refused to join with France shortly after the Armistice in redeeming Russia from the cold-blooded tyranny of Lenin and Trotsky. As long as these two bloody dictators, in comparison with whom Marat, Robespierre and Danton were comparatively respectable, govern the destinies of that hapless people and with their stolen booty attempt to poison the peoples of other countries, a dark shadow rests upon the whole world.

Since 1919 a well organized Communist party has existed in this country, whose avowed aim is to overthrow the government by force or violence. It is well financed by the soviet government. The last two years have witnessed a remarkable and portentous growth in its activities.

The agencies used to propagate the baleful ideas of the Third Internationale have even reached into some of our schools and colleges. There are now published in this country 567 radical papers which are printed in 26 languages, and what is more significant, 352 are printed in foreign countries. It is believed that their joint circulation in this country is not less than one million issues a day, and I am reliably informed that a sum of over \$400,000 was sent from Moscow for use this year in aligning the negro portion of our population with the Third Internationale. While attempts at open violence would promise little success, an incalculable injury can be done to this country by the widely circulated proposals to follow the Ca'canny policy of taking wages but shirking work.

It is fortunate indeed that the greatest labor organization in this country has set its face against the Bolshevik faction in its ranks and is waging a praiseworthy fight against an increasing minority who would convert the American labor movement into one of communistic tendencies.

The federal government has not been indifferent to the spread of such propaganda and only the past week the attorney-general has taken steps by cooperation with the State authorities to establish a more effective supervision of the revolutionary and criminal elements in this country.

Nor is the next Congress likely to be indifferent to the danger which too many men have hitherto minimized. I am informed that two bills will be introduced—

one to register all aliens in the country, and the other to make it a crime to conspire to overthrow the national government by force and violence. Today it may be doubted whether there is any specific federal statute which enables the federal authorities to arrest an alien even though he is carrying a bomb to blow up a custom house. The registration of aliens, if adopted, will probably cause a speedy and welcome hegira of alien Communists who are now under cover and who are ceaselessly plotting day and night to destroy the ordered principles of liberty for which the Constitution stands. It may be that this peril is unduly exaggerated, but it is well to exaggerate, for forewarned is forearmed.

Have We Retrograded

THERE is, however, a larger consideration which time does not permit me to do more than suggest, and it applies to all classes of the American people. We attribute a magical effect to the Constitution of the United States. We think that the document by its own inherent power has controlled the destinies of the American people. The fact is that the charter, no matter how wise its provisions were in theory, would have been a failure if there had not been a people with a sufficient genius for free government to maintain its principles. Other nations have had nobly conceived constitutions, but they became mere scraps of paper because the people for whom they were intended did not have a sufficient sense of constitutional morality to make them effective. A constitution is valueless unless a people has the spirit of self-restraint.

The serious question presents itself whether the American people, upon whom the maintenance of the Constitution must finally depend, have the same capacity for self-government and self-restraint as previous generations.

I have elsewhere discussed and will not now repeat my own somewhat pessimistic belief that our hyper-mechanical civilization has resulted in a marked deterioration in human character. Man, as the citizen, the worker, the head of the family, the

thinker, and above all, as the responsible moral being, seems to me to have retrograded in my lifetime.

To insure the perpetuity of any form of government three conditions must exist. In the first place the people must take an active and militant interest in the operations of free government, for eternal vigilance is, as always, the price of liberty. Today at many elections one-half of the electorate does not even take enough interest to vote. The old-time militant activities of the citizens belonging to two strong, powerful political parties has largely spent its force. Recall the campaign of 1880, when the only issue was a high and a low tariff; remember the incessant activities of the two great parties between the nominating conventions and the election; recall the countless thousands of meetings that were held nightly throughout the land; the great party organizations which in our large cities marched as great armies in defense of their principles; and then recall in recent times the scant interest that was taken by the American people in so prodigious a problem as the League of Nations, which, whatever its merits—and I express no opinion—involved the stupendous question of the attitude of the United States to the rest of the world in the trying years to come.

In the second place the people must take an intelligent interest in politics and I gravely doubt whether there is today the same clarity of vision that marked our political life even fifty years ago. Man today has engulfed himself in an ocean of printer's ink and he has so lost his sense of values that the average man has what I would call a moving picture brain, which retains only momentary impressions about anything, and, if this were not bad enough, the universal disease which afflicts all of us is a St. Vitus dance, which is fatal to repose of mind or consistency of action.

Mankind's Problem

IN the third place, if free government is to function, men must have a deep and abiding respect akin to a religious feeling for the authority of the State, and the willingness to subordinate his own views to the common good. Without this spirit of self-restraint, democracy, or, indeed, any form of government is unworkable.

Today the power of the State in this and every country is at its lowest ebb. Never was there a time when men were more disposed to take the law into their own hands, not for the common good, but to serve selfish interests of individuals or classes. This revolt against authority is a world-wide phenomenon and as time does not permit me to do more than suggest it, may I suggest to any one who is interested in this phase of this question, that if he will read my lectures on the Constitution which I delivered at Gray's Inn, London, last summer and this summer, he will there find in the chapter entitled "The Revolt Against Authority" a more careful discussion of a question which, in my judgment, is the greatest that now confronts thinking men.*

In this period of popular fermentation, the end of which no man can predict, the Constitution of the United States, with its fine equilibrium between efficient power and individual liberty, still remains the best hope of the world. If it should perish, the cause of true democracy would receive a fatal wound and the best hopes of mankind would be irreparably disappointed.

Are not these "the times that try men's souls?" Certainly, they should, to use Tom Paine's fine phrase, "try our souls," but few give heed to the portentous signs of the times.

The situation is strikingly similar to that April morning of 1787, when Washington entered the city of Philadelphia to gather about him a few faithful adherents to restore law and order.

Can we do better than to imitate his spirit?

Shall we not raise the standard that he then raised?

Ought not men of all parties, who love this country and believe in its past as well as its future, unite in the same spirit, to which Washington gave utterance at the beginning of the great convention, when he so nobly said:

"It is too probable that no plan that we propose will be adopted. Perhaps another dreadful conflict is to be sustained. If, to please the people, we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise a standard to which the wise and just can repair. The event is in the hand of God."

(*) The Constitution of the United States by James M. Beck. Published by George H. Doran, 244 Madison Ave., New York.

Golf Tournament at Atlantic City

T. M. SHERMAN, of the State Bank, New York City, won the St. Louis cup for low gross score, at the golf tournament held at Atlantic City during the convention. He and L. M. Watts, assistant cashier, First National Bank, St. Louis, Mo., were tied at 77 and in the play-off both again had 77 for the round. They agreed to continue the match until the hole was won. On the first five extra holes both had par on each hole and on the sixth extra hole, Mr. Watts failed to sink a short putt and lost the match. The cup must be won three times to be retained permanently.

Third place was won by J. D. Harrison, vice-president, Citizens National Bank, Baltimore, with a score of 79. Both he and Mr. Watts also won silver cups.

In the race for the three silver cups for the three lowest net scores the following were tied:

	Gross Score	Handicap	Net
Harry J. Haas, vice-president, First National Bank, Philadelphia	82	14	68
Walter K. Hardt, vice-president, Fourth Street National Bank, Philadelphia	84	15	69
W. H. Fawcett, Assistant Cashier, First National Bank, Pittsburgh	97	27	70
S. H. Hadley, cashier, McDowell National Bank, Sharon, Pa.	83	12	71
E. R. Rooney, vice-president, First National Bank, Boston	87	16	71
Wm. Heuer, president, Union Davenport Trust & Savings Bank, Davenport, Iowa	87	16	71

In the play-off the three prizes were won with the following scores:

	Gross Score	Handicap	Net
W. H. Fawcett	98	27	71
Walter K. Hardt	90	15	75
Harry J. Haas	90	14	76

H. A. Foster, Provident Life and Trust Co., Philadelphia, won a sterling silver cup for the blind bogey prize.

The matches were played at the Seaview Golf Club.

The cups were presented to the winners at a dinner at the Hotel Traymore, Atlantic City, Friday evening September 28.

Bankers for the Reserve System

"We Are Standing Too Close to the Problem to See It in Its Entirety." Discussion on Par-Collection and the Bank's Reserve. The Latter, One Speaker Reminded the Convention, Works for the Bank. Why So Many State Banks Are Not In.

"WE are going to lend to those of our country who value our experience a dispassioned expression of what we believe that system has done for us, making suggestions in regard to what we think may be improvements in the system, hoping in every way to be constructive in what we have to say."

In the foregoing words President John H. Puelicher opened the forum on the Federal Reserve System during the Convention of the American Bankers Association at Atlantic City.

The scene was impressive. A gathering of thousands of bankers—the leaders from practically every important city and section of the Nation—men rich in financial experience, pronounced in ability, close to the needs and problems of all the industries of their cities, from the great corporations employing armies down to the hand industries, where one or two men gain a livelihood—close also to the heart throbs of the homes—assembled to consider with open minds the merits and the defects of the Federal Reserve System. The importance of the occasion rises far above the limitations of a class convention, because whatever changes the currency system, for better or for worse, immediately influences the value of everyone's holding and bears directly upon every one's employment. The presentation of the experiences of this great body with the operation of the Federal Reserve System was, therefore, vital to the System, and in turn to the Nation's business. If the System were unsound in any essential part, the weakness must, of necessity, have been laid bare in this forum, producing many reactions detrimental to banking and to all business. The speakers participating were, with one exception, positive in their statements, testifying to its supreme value to business. There were suggestions for the improvement of operations under it and for getting more banks into it, but no suggestion which could be construed as tolerating any attempt to get along without a central banking system.

The first speaker was Craig B. Hazlewood, vice-president of the Union Trust Co. of Chicago, who said:

"I doubt that even as bankers we fully realize what a magnificent financial structure we have in the Federal Reserve System. No central banking system now, nor in the history of the world, compares with this in point of resources, in currency-issuing power, or in ability to control business activity that needs restraint or inactivity that needs stimulation.

"After but nine years of service it has amassed over \$5,000,000,000 of assets. The combined resources of the central banks

of England, France and Italy are but 70 per cent of this total. It holds, at least, 30 per cent of the world's gold supply. Behind it is a wonderful record of achievement through a World War, an inflation period of dizzy heights and months of serious and costly liquidation.

"Faults of administration there have been, as in any human institution. In relation, however, to its big concepts, to the broad economic principles written into its law by the framers of the act itself, there can be no question of its success; success in the best interests of the Government, the banks and the public alike. Consider in bold outline what we have accomplished:

"First, given to the Nation an elastic currency system, which we had been without for fifty years. That this is so is proven by the simple statement that never before in the history of the country did we have a credit panic anywhere near the magnitude of that of 1919 and 1920, without at the same time suffering a currency panic.

"Second, we concentrated the bank reserves of the Nation in the hands of the System, available for loans to member banks, whenever needed, in any part of the country. We have reduced our own currency reserves too till money and our non-interest bearing balances with the Federal Reserve banks, free of uncollected funds and subject to definite percentage requirements, but available for instant use by draft or wire transfer, representing a truer and more scientific reserve than we have ever had before.

"Third, through the operation of the collection system we have greatly reduced the average time in collecting the average check. In the case of a typical large bank this reduction has been from 3.71 days before the Federal Reserve System as against 2.59 days at present. If this be an average saving for all member banks then the total saving on \$600,000,000 of floating checks in process of collection through the Federal Reserve System would be in the neighborhood of \$15,000,000 per annum. This is a saving on account of the increased turnover of a bank check and has nothing to do with the elimination of exchange charges on checks collected through the Federal Reserve System. As to that the Federal Reserve Act states member banks may collect checks at par through the System and, on the other hand, member banks must remit at par to the System. This is equitable and sound. The act also states that checks on non-member banks may also be collected through the Federal Reserve System, if they can be collected at par, and only so. The Supreme Court of the United States has said that every non-member bank has an unqualified right to elect whether it will

remit at par to the Federal Reserve Banks. This is also equitable and sound. The attempt that was made to enforce par collection on non-member banks of this country by bureaucratic methods was unsound, un-American and, in my judgment, a blunder which has cost the loss of much goodwill toward the System on the part of city and country member and non-member banks alike. Happily this has been stopped. Bankers of all classes can now consider the advantages of the collection system without prejudice and on the ground of the saving of time and labor it can effect for the banking and business world.

"Fourth, the Federal Reserve System has given the government a fiscal agency and a depository of maximum usefulness. The war loan service of the System was of incalculable value to our government.

Machinery Was New

"FFIFTH, the System has performed the function of a central bank in the mobilization and direction of bank credit. It is regarding the manner in which these functions were performed in the panic of 1919 and 1920 that most of the criticism of the System has been directed. The machinery was new and undoubtedly was stiff in many of its parts. The facts were, however, that the System loaned the banks of the country a total of \$2,826,000,000 at the peak point and that these loans were made when needed to the limit of capacity of the System, and in many cases without reference to so-called basic lines of credit.

"The banks in agricultural districts were borrowing 99.2 per cent of their basic line, in semi-agricultural districts were borrowing 71.9 per cent of their basic line, and in non-agricultural districts were borrowing only 65.2 per cent of their basic line. The country districts were not badly treated. Furthermore, whatever criticism there may be due the Federal Reserve Board for not having put on the brakes soon enough, and however true it may be that bank loans were increased when reserve requirements were reduced, it still must be said in all fairness that neither the System, nor the Board, nor the individual banks were actually responsible for the inflated condition in which the Nation and, for that matter, the entire world found itself in the year of 1918.

"The Federal Reserve System deserves our support. It must have it. Most of its critics are honest and sincere, and some look with hungry eyes on the possibilities of patronage and profit which seem to be procurable in its administration. Political criticism need give us little concern as long as this does not actually eventuate in emo-

tional legislation. Political influences are dangerous when applied to secure political power and patronage. If such influences may find their way to the inside of the management, particularly to the board, they may materially weaken the entire structure. The amendment to the Federal Reserve Act, including a 'dirt farmer,' may have brought the System no harm, but the intent is dangerous. It is dangerous because no special line of business activity or class of citizens should need special representation on the Board. Rather the System should be managed entirely in the interest of the country, as a whole, and the Government.

Personnel of the Board

"MEN most qualified to sit on the Board are not attracted to it if the office is subject to political change. Already in nine years the turnover in the personnel of the Board has been much too high. Only two men have served continuously from the first, and the term of office is supposed to be ten years. We have had four secretaries of the Treasury and three comptrollers. There have been four counsels of the Board and four secretaries.

"Appointment to the Board should be made from a picked list of men, who by experience, knowledge and patriotism should be best qualified to serve. The Governor of the Board should be elected by its own membership. The functions of the Comptroller of the Currency should be consolidated with those of the Federal Reserve Board, thus giving national banks one examination and one reporting agency instead of two.

"The history of the first and second United States banks is dim to us after 100 years, but I ask you to note that the first bank of the United States failed to obtain a renewal of its charter in 1811, its opponents charging that the bank was a 'money trust,' controlled by foreigners, a tool in the hands of the Federalists, and that the act chartering the bank was unconstitutional.

"Note the use of the words 'money trust.' We have the idea that this is a modern term. The suspicions which animate the demagogue of today have not changed in a century.

"Further, I call your attention to the fact that the second bank of the United States was chartered in 1816 and failed to obtain a renewal of its charter in 1831, the reasons as given by a noted authority being a widespread belief that the bank was unconstitutional, the hostility of the States, the opposition of the State banks, the rise of democracy, and the envy and hatred which the poor always feel toward the rich.

Both banks functioned well and accomplished much for the country during crucial times. The downfall of both was caused simply and solely by attempts to place the determination of banking policies in the hands of political authorities.

The delicate handling of currency and credit to serve the best interests of all, with special privilege to none, cannot be left to those who are not competent through proven judgment and experience. The danger of politics in the Federal Reserve System is a real one, and upon us, as bankers, is placed the grave responsibility of forever keeping the great System clean.

"The establishment of the Federal Reserve System represents the greatest piece of economic legislation enacted by an American Congress. Every country which is remodeling or is creating a banking system is copying it.

"The test of good citizenship lies in the loyalty and courage with which we support the laws and institutions of our country. We may criticize in detail, we may feel our individual prerogatives slightly impaired, but our duty to business, commerce and banking points to such changes as will perfect, but not obstruct, the System. Patriotism won the war, and patriotism will carry on the Federal Reserve System."

George H. Bell

GEORGE H. BELL, cashier, Planters Bank & Trust Co., Nashville, Ark., followed Mr. Hazlewood:

Mr. Bell: No man with any knowledge of finance will dispute the service to our country since 1914 of the Federal Reserve System—I might add to the whole civilized world—for the financial strength of America has been the saving of our civilization. The concentration of bank reserves and the machinery for expansion and contraction of our currency has benefited every class of business in the United States. The fear, ever present before the creation of the system, that the time might be nigh when funds on deposit would not be available in cash, has evaporated in the light of the confidence in which the Federal Reserve System is now held. This feeling of security has tended to stabilize bank deposits; consequently credit has been stabilized.

In the brief time I have allotted to me it will be impossible to more than mention the very great merits and the alleged defects of the Federal Reserve System. Having been a country banker since the year 1902, it is quite natural that I should be well acquainted with the viewpoint of the country bankers upon this Federal Reserve System, and what I am going to say is more in the nature of a report on the objections I have heard rather than arguments which I individually might make.

I have always felt that the Federal Reserve System was so important that even the non-member bank should hesitate to openly criticize it, because of the probability that such criticism would be misunderstood and furnish arguments for those persons who are by nature destructive in their activities. Originally designed as a servant of the national banking system, the Federal Reserve System is admirably adapted to that intended use. Many are the problems of the reserve city banks that the Federal Reserve System has solved for them. Decreased reserves with an increase in profits and an attractive 6 per cent investment in the stock of the Federal Reserve Bank has largely eliminated a costly transit department and made the farmer's check par for the customers of the city bank. The Federal Reserve banks stand ready with credit in time of need. Gone are the days of competition of one city bank with another in their race for the longest par list. Life is sweeter for the customers of the city banks; credit is more easily obtainable when most needed; an-

noying collection charges on country checks have disappeared.

I have been an interested spectator of the development of the Federal Reserve System. I have seen the city bank "made safe" for the country bank. I have seen a system created that makes a gold dollar do the work of more than two. I have seen a world war financed promptly and lavishly. I have seen country bankers surrender the exchange on their checks. I shall never forget the period of deflation and discontent. I have listened with intense interest to the complaints of the country bankers and the plaudits of the city bankers.

Since the year 1920 we have as a people gone through a readjustment in values that has been costly and has promoted discontent in all lines of business. The American banker has not escaped his full share of troubles during this period. There has been the tendency to rebel against the growing exactions of the Government, both in the line of taxation and regulation. This rebellious spirit has not been confined to the country bankers of the United States. The Federal Reserve System, being a creation under the laws of our national government, and controlled by men nominated and appointed by our Chief Executive, if it were entirely blameless, must naturally come in for its share of criticism along with all governmental agencies.

Worth Any Sacrifice

IT has always been my idea that the Federal Reserve System has been worth any necessary sacrifice on the part of the bankers of the United States. While I am not here representing the country bankers, being only one of them, I believe that the majority of them will agree with this idea. The whole trouble arises over what should be considered necessary sacrifices. The country banks contend that par clearance is not an essential, or even a legal, function of the Federal Reserve System. The Supreme Court of the United States seems to have agreed with them in principle. City bankers contend that exchange on a bank's own checks is immoral and that par clearance benefits even the banks which have surrendered this source of revenue. Unfortunately the Federal Reserve Board, under the construction of the law as they view it, has been compelled to take issue on this question, and has to the extent of its power—which is large—energetically inaugurated a par clearance system with no regard whatever for the individual opinion of the non-member banks affected. The regrettable thing is that controversies of this kind, being in the nature of a family row, attract the attention of the neighbors, and it has done the reputation of the banking business no good and has injured the standing and prestige of the Federal Reserve Board throughout the country. There have been too few defenders of the policies of the Federal Reserve banks. The country banks admit their selfish interest and accuse the Federal Reserve System of serving only the interest of the city banks and their customers. The city bankers are, for the most part, silent on the subject when talking with a country correspondent, but full of good argument and courage in

clearing house and Federal Reserve Board meetings. The country banker wants no quarrel with the man who sometimes lends him a great deal of money; consequently blames the Federal Reserve Board for all of his troubles, even in conversations with his own customers.

Deposits of the non-member State banks amount to approximately twenty billions of dollars. The member banks of the Federal Reserve System have about twenty-four billions in deposits. According to the August bulletin of the Federal Reserve System 1634 State banks are now members of the Federal Reserve System out of a total of 22,084 State banks. I have heard the argument that if all eligible State banks joined the system the present requirement of gold reserve of the Federal Reserve banks would prove embarrassing, if not disastrous, to the financial fabric of the country. It is essential to the safety and prosperity of our country if we are to have two great banking systems—the State and National—that all troubles and differences be eliminated, that harmony and cooperation be the rule, that the Federal Reserve Board and the system be accorded the respect of both member and non-member bankers. It should be that a small banker, who is usually a business pioneer, could feel that those in authority count him as a part of our financial system and that his rights, granted by his State, will be respected and his chance for success be equal before the law with that of bankers more prosperously situated.

The Federal Reserve Board and the Federal Reserve banks should be so manned and conducted as to be a guarantee to all men of the impartial operation under the law of the greatest financial system the world has ever seen. I am saying this without any intention to criticize those men who are now in authority or their predecessors. The fact is that there has been, and there are now in progress, very damaging criticisms and attacks against the Federal Reserve System.

If Already Perfect

I AM more concerned with the present state of affairs than with the past history of these matters. Most of the laws of any self-governing people are the results of compromise; any creation of man or nature, if not progressing or growing, is already dying. It is quite possible that the Federal Reserve System cannot be improved upon. If it be already perfect, it is now time that the tongue of slander be hushed and criticisms and attacks be eliminated. If it be not the perfect servant of the financial fabric of our country it is designed to be, it is time that all parties interested join in a sincere effort to make it so. Any permanent solution is impossible if the non-member State bank is ignored. The System should not be a political football, and the law should be so clear that legal battles should be unnecessary.

If the two banking systems, state and national, are to exist and give the service to which the public is entitled, each must operate under the laws of its creators—the state governments and the national government. If that be the program, the country national bank will be at a decided

disadvantage, and will in time cease to be a national bank. Any part of the national law or the regulations of the System that would interfere with the legal rights of the state bank will mean the continuation of discontent. Should the Federal Reserve System be broadened to include in its membership all banks, both great and small, it will be the work of all interested parties. This seems to me to be not an impossible thing. It is in my memory that this very American Bankers Association was not always friendly to the idea of the Federal Reserve System, and now we are extravagant in our praise. Time heals many wounds. A sincere effort toward settling such matters, conducted patiently and diplomatically, cannot fail to bring good results. It will be the job of the clearing house bankers and the country bankers to work out some agreed program.

Settlements

IT would be unfortunate if the Federal Reserve Board attempted to settle the matter. Perhaps the situation would be more pleasant today if the Federal Reserve Board, however sincere its motives have been, had not antagonized the non-member country banker by inaugurating par clearance before the meaning of the law was interpreted by the Supreme Court of the United States. The board would have had ample justification in arranging for a court decision, because the law cannot be interpreted as making mandatory a par clearance system without ignoring accompanying phrases which are in contradiction. The temper of the board on this question is clearly revealed by its prompt ruling, outlawing and refusing to handle checks even signed by a non-parring bank, although the check be drawn on a member bank and payable to a member bank, except there be an exchange charge of ten cents per hundred paid to the Federal Reserve bank.

The fact that the twelve Federal Reserve Banks are owned by the member banks in each district cannot be overlooked. Such controversies, if continued, will bring more damage to the Federal Reserve System than to the country banker, because the country banker is closer to his audience, and the American public in its present rebellious state of mind seems to welcome any new argument or reasons for its dissatisfaction with the present state of affairs. Upon whom the responsibility for this situation should rest is an easy question to answer. It rests with the member banks and non-member banks alike. The banking business is not strongly enough entrenched to ignore public opinion, or to be impervious to the attacks of politicians seeking a winning issue.

The remedy for this situation lies in the appointment of a commission by the president of this association, composed of member and non-member bankers, who would undertake, after investigation, to submit a recommendation to Congress, which, when it became a part of the law, would make its meaning so clear that the possibility of controversy would be entirely removed. The rules and regulations of the Federal Reserve Board should be

numerous enough to provide for the efficient operation of the Federal Reserve banks, but few enough to remove any suspicion of over-regulation. Their attitude toward the American business man should be one of a servant instead of a master.

I doubt if the average American citizen will ever entirely cease to be a rebel. The fact that he is an American sovereign I hope will never be forgotten. He is just now in a state of mental rebellion against too much government. It may be that time will eliminate the many points of friction, but this process will mean the gradual change of the characteristics of the American citizen and the wearing down of the individualism of our national life, in supplanting the love of independence with a desire for orders and rules. There are many reasons to doubt that this will be the case. It is much safer to return to the fundamentals of life and to adhere to the one rule which makes life sweeter and easier: "Do unto others as you would that others do unto you."

Recalled the Panics

T. H. BROUGHAM, President, Corn Exchange Bank, Kansas City, Mo.: I did not come to give evidence in regard to the provisions of the Federal Reserve System, but I thought if this system is to be tried by a jury and this meeting is to be the jury, that I would say a word for this system before the greatest jury that ever assembled on earth.

I have been a friend of the Federal Reserve System ever since the day that the great Missourian Reed unfolded its beauties and asserted its provisions before the United States Senate. I do not believe that it is seriously on trial on this occasion, but I believe that it has already been tried and found efficient.

Senator Reed told the people that this measure would obviate panics, and I thought then and there that anything, any provision, any law or system that would obviate panics in the United States would be of a great and everlasting benefit to the country.

I have in mind the two greatest panics that ever occurred in America: In 1836 a panic that I think was brought on altogether for political power, but I had personal experiences with the panic of '73—one of the most wonderful storms that ever swept this or any other country.

One morning about ten o'clock a dispatch was sent throughout this country that the firm of Jay Cook & Company, the men who had assisted in carrying this country through the greatest war that ever existed, failed to open its doors.

In two hours there was not a bank door open in America. A dollar could not be borrowed anywhere. Everything was in a state of chaos. This panic was not brought on for political power.

An Asset in Jeopardy

U. H. McCARTER, president of the Fidelity Union Trust Co. of Newark, N. J.:

"It is not my purpose to discuss the merits and disadvantages of the Federal Reserve System as applied to our business, but

rather to bring to the attention of the members of this Association, and particularly those of us who are known as country members, that one of the chief assets in the membership of that Association is in jeopardy.

"I refer to that portion of the Federal Reserve System under which the non-cash items, notes and drafts are collected by the Federal Reserve Banks in the various districts.

"I am credibly informed and confidently believe that there is a consistent, persistent and, I am afraid, an effective propaganda being carried on by our friends, the city banker, on the members of the Federal Reserve Board, to the end that that collection system, which we believe to be a great asset in our membership in the System should be done away with. Then the country bankers, particularly, should be forced back to the pre-Federal Reserve time and make our collections through our correspondent banks in the Reserve cities.

"One of the chief assets to us in our membership in the Federal Reserve System was the reduction in the amount of reserves that we should be compelled to carry, and if we go back to the old system, we either must pay collection charges, or we must keep compensating balances with our collecting agencies.

"It is my belief, gentlemen of the country banks, that unless we raise our voice at once against this attempt on the part of the city banks, that we will be forced back to the time before the Federal Reserve System was inaugurated, and to collect our non-cash items as we had to in those days.

"It is argued by those who favor this plan that when we receive items from the Federal Reserve bank, and are forced to collect them all over the towns in which we reside, we are not compensated therefor. I am informed that at least that is not so, that at least 25 per cent of those who do this work for the Federal Reserve bank receive compensation therefor, and to show you what proportion of the banks of the New York District, with which I am connected, are using this System, I would advise you that 83 per cent of the New York District are availing themselves of this opportunity.

"I, therefore, urge upon you, if I am right in my belief that we are approaching a menace, that you arouse yourselves and see to it that the Federal Reserve Board at least hear your side of the story."

Andrew J. Frame

ANDREW J. FRAME, chairman of the board, Waukesha National Bank, Waukesha, Wis.:

"Some 8000 national banks had no choice. The command came in 1913 in effect—join the System or surrender your charters. The great central banks joined willingly because their profits were materially increased, and most of the small banks, rather than stand material costs in reorganization into the State bank systems, reluctantly swallowed the pill.

"It is approximately ten years since the Federal Reserve System became operative; State banks have been importuned constantly, and to our mind unstatesmanlike methods have been pursued to coerce them

to join, and yet approximately but a small fraction have joined out of the thousands eligible. Why?

"The answer seems very simple. I desire it distinctly understood that for many years I have openly pleaded for some great central bank of banks, to be sustained at least by the larger banks of the nation by mobilization of a reasonable, but not an unreasonable part of their reserves as now arbitrarily enforced, to the end:

"First, that calamitous cash suspension of banks, as in 1873-93 and 1907, should not occur again.

"Second, that any central bank should be our servant and not our master or monopolizer at any time; measures for relief and not for profit.

"No. 1 has accomplished its great mission, as all sound economists expected. It has done no more than European central banks without the coercive measures, here resented.

"No. 2 contains germs of dissatisfaction, for example:

"As the requirements for capital (now about \$109,000,000) pay 6 per cent annually to members, few object.

"Under compulsion the member banks have now on deposit in Federal Reserve banks (on which no interest is paid) the enormous sum of, say, \$1,850,000,000.

"Surplus funds (all go to the Government under the misnomer of 'Franchise Tax,' say \$220,000,000.

"Total without income to member banks, \$2,070,000,000.

"This vast sum exceeds all the cash held by all the banks in the United States in 1914 by over \$400,000,000. It also exceeds the total capital stock of all the member banks by hundreds of millions.

"But who contributes these colossal reserves? The New York, Chicago and St. Louis Central Reserve banks that held 25 per cent of deposits in cash, before the Reserve System was inaugurated, now hold approximately but 2 per cent of deposits in cash; reserves in Federal Reserve banks, 13 per cent of deposits in cash, and the balance of 10 per cent or more than \$500,000,000 released cash is loaned to the public, thus giving those banks from \$25,000,000 to \$30,000,000 increased profits annually. Per contra. As the country State banks formerly held, say, 4 per cent of deposits in cash (6 per cent in nationals), which cannot conservatively be materially reduced, it seems clear that the 12,000 and over eligible State banks fairly concluded not to contribute, from income-producing sources, vast sums additional, none of which will ever be needed for relief.

"The par collection of checks has absolutely nothing to do with the true functions of reserve banks, and yet through compulsion of national and largely through reluctant consent of State banks, the smaller banks of the country are mulched out of, say, \$100,000,000 annually. We do not count an additional \$94,000,000, which would doubtless be remitted at par because the accounts justified from remittances. If this is a 'tax of commerce,' then post office orders, express, all transportation, all trade, all industry for reasonable profit is 'a tax on commerce.'

"Is not the true diagnosis of this case

summed up in the righteous decision of 12,000 State banks that they will not consent to an injustice which robs them of say, \$100,000,000 annually, all for the benefit of the rich in the great centers?

"Do the Federal Reserve banks advocate branch banking which will, as proved in Canada and threatens California and other States, 'put 30,000 independent banks out of business,' or do they use their power to sustain the best banking systems the world ever knew? A gleam of hope lies in fifteen applications in California lately refused by the Federal Reserve Bank.

"The Federal Reserve banks started with twelve districts. They have added some twenty-five branches—the last one in Cuba, and if there, why not throughout the isles of the sea? All competing more and more with members who furnish the cash. Judge Cochran of the United States District Court in Kentucky, in a decision on par collection of checks, is quoted as saying in part, that H. A. Magee, traveling representative of the Federal Reserve bank of Cleveland, testified: 'In the next five years there would be no small banks.' As we have not seen any denial in the press, this statement must have given great concern to the independent banks of the nation. For these reasons alone, criticism for refusal to join seems unfair.

Constructive Suggestions

"AS war has ceased, as the Federal Reserve banks now hold, say, \$3,250,000,000 cash, and should not enter into competition with its own members in any field, why should 12,000 banks be coerced into locking up hundreds of millions more, while like sums can be released to the overburdened bank members, and still have ample funds to cope with any emergency? To our mind gross inequity reigns. We repeat, we firmly believe in the underlying proper functioning of the Federal Reserve banks, and it would be a calamity if, through causes similar to those which destroyed the old United States Bank, that another Andrew Jackson should arise and destroy the Federal Reserve System. We say amend, but do not destroy."

E. C. McDougal

ELLIOTT C. McDOUGAL, president of the Marine Trust Co. of Buffalo:

"I am going to ignore these controversial subjects; they are open questions, and there is a great deal to be said on both sides. They are vital questions to many of you, but in talking about these controversial subjects, we are very apt to overlook the most important function of the Federal Reserve bank.

"It is of great benefit that we have a re-discount system that can take care of us, but that is not the principal function; it is of the utmost benefit that we have a system that can mobilize the gold of this country, but that is not the most important function. The par-collection of checks is a question of argument, but that is not the most important function. We are all forgetting what is the most important function.

"One of the speakers said that there would be no more panics. I do not think that the speaker who said that or the gentleman

who quoted it meant to say that there would be no panics of any kind. We may have bank panics (although I doubt it), but we will have no more monetary panics, because there will always be a supply of good currency available. That is the most important function of the Federal Reserve System, and you must not forget that you have got to be careful in authorizing loans and investments by the Federal Reserve System. Its investments should be liquid. That is the danger of giving special facilities to any particular class or having special accommodations. It is not because of the financial accommodations in the way of credits that they may get; it is because in the operations you will get into the assets of the Federal Reserve System less liquid assets upon which to base your currency, and the currency is the life-blood of your country. Every workingman who carries a dollar in his pocket, every man who has a dollar in the savings bank, should realize that the currency must be right or nothing is right.

"We have heard nothing about that today, and as a rule you will not hear it. You talk about par collections and about credits to the farmers and credits to this man and the other man. You forget the most important thing, and you cannot give a better illustration than Germany. Where is Germany's currency? When currency is gone, you have nothing else.

"It is of vital importance that the Federal Reserve System should be kept liquid to give the United States of America the currency that it needs and must have."

H. M. DeMott

H. M. DE MOTT, president of Mechanics Bank, Brooklyn:

"I would not in any way disturb the present reserve requirements, whether they be seven, ten, or thirteen, in your respective cities; but I would suggest that a certain percentage of cash carried in the vault, which is unproductive, be counted as a certain portion of your reserve requirements.

"In speaking on the subject of reserve carried by member banks of the Federal Reserve System, I wish to call attention to what I regard as the injustice of member banks not being permitted to count as reserve against their deposits actual cash carried in their vaults.

"In banks money makes money. That is the working medium of all financial institutions. When money is tied up, hence inactive, banks are losing their main productive medium. Under the present system the cash maintained by the respective banking institutions has not value as a reserve requirement, and consequently lies dormant without any earning power whatsoever. If, on the other hand, cash could be considered as reserve, it would release this large sum of money which would immediately be available for loans to manufacturers, farmers, business men in general and home builders, and have a stimulating effect upon business and become a source of revenue to our banking institutions.

"We believe the present method to be an injustice, as it works a hardship upon all institutions, particularly those maintaining a number of branch banks. And it

does directly affect even the smallest of the member banks.

"While it is true that credit maintained at the Federal Reserve Bank can be converted into currency if sufficient time is afforded, the fact cannot be disputed that in time of stress, the actual currency in vaults is the most liquid reserve. Two-thirds to three-quarters of the currency of the banking institutions is represented by Federal Reserve currency, and it does seem inconsistent that demand obligations of the Federal Reserve Bank, such as these, cannot be counted as an offset against deposits.

"I, therefore, urge the American Bankers Association to pass suitable resolutions requesting that an amendment to the Federal Reserve Act be provided, permitting member banks to count as reserve the actual cash carried in their vaults."

Howard I. Shepherd

HOWARD I. SHEPHERD, vice-president of the Guardian Trust & Savings Bank, Cleveland:

"I am led to give some figures from the experience of the Fourth Federal Reserve District during the fall of 1920 in answer to a certain criticism that has been broadcasted to the effect that the Federal Reserve System does not lend itself directly to the alleviation of the problems of the farmer.

"On Oct. 9, 1920, the Fourth Federal Reserve District, which is a manufacturing district, was for all of its needs asking its district bank to discount but \$88,000,000 of paper, while on the same day it was discounting for the reserve banks in the crop-moving districts, namely, Minneapolis, Chicago, St. Louis, Dallas and Atlanta, \$150,000,000.

"On that same day practically those same districts, namely, the crop-moving districts, were calling upon Philadelphia, Boston, San Francisco and Cleveland, for \$267,000,000, and that money was going directly to the alleviation of the farmer's problem, the moving and the handling of crops. Those acts are going on without the knowledge of the public.

"I also want to call attention to what I think is the answer to a large extent to the question asked by the gentleman from Waukesha as to why banks are not joining the system? I think I see in it something of the same answer that produced a lack of quorum in the first constitutional convention. We are standing too close to the problem to see it in its entirety. A proper perspective of this system modified as it may be perhaps in some of its details, is eventually going to bring to its support and into its membership the rank and file of the banks of the United States.

"I believe the Federal Reserve bank takes its place along with the constitution of the United States as one of the institutions that the citizenship of this country should stand behind and defend in no uncertain terms.

"There is no organization in America that is more ramifying than is the American Bankers Association, and if there is any one thing that we should go away from this convention convinced of, it is that we will not tolerate any discussion that has for its intention the undermining of the

fundamental principles of the Federal Reserve Bank.

"The country is gradually becoming aware of the spread of an insidious antagonism to our American institutions and is also becoming fully aware that the origin of that antagonism is not American.

"If I might go one step further back than the date of the Declaration of Independence, July 4, 1776, and say to you that it was on May 1, 1776, (I think it was in Bavaria) in the organization of what was then known as the 'Illuminata,' was the beginning of that institutional propaganda which is today directing itself against the basic institutions of this country, and its proponents still openly celebrate May 1 in memory of that day. Its foundation is unrest; its next step is an appreciation of a class distinction and its ultimate purpose is class hatred.

"If the artisan laborer is discontented, it reaches him. If the farmer is discontented, it reaches out to him, and the farmer today is allowing himself to be influenced by this propaganda.

"There are many problems needing adjustment, but their solution is economic and does not lie in the vagaries of political trumpery. The principles of the Federal Reserve Act are sound; our banking system is sound; the agricultural facilities of the country are sound, and the American Bankers Association can do as much, if not more, than any other association in the country, to keep them sound and to work out the problems that are interfering with the happy and orderly cooperation between them."

O. Howard Wolfe

O. HOWARD WOLFE, cashier of the Philadelphia National Bank, Philadelphia:

"Some reference has been made here that part of the opposition to the Federal Reserve System from country bankers is due to the fact that interest is not paid on Federal Reserve balances, or that money is required to be kept in your vault, and does not count as reserve.

"Most of us overlook the fact that when your balance in the Federal Reserve Bank is reserve, it is working for you, because you must have reserve. The money you have got invested in your vault or building is working for you even though it returns no interest, because you must have a building and you must have a vault. So if you are going to have a successful banking system you must have reserve. When it is reserve it is earning you something whether or not it is in the shape of interest.

"The opposition to the Federal Reserve is largely centered about this par collection item that Mr. McDougal has referred to. Without wishing at this time to offer you arguments, I want to point out in just a few minutes some of the facts in defense of the collection system that we are apt to overlook.

"First. That it is not a fair thing to charge against the Federal Reserve Act par collections. The theory that collection should be at par for the best interest of the bankers as well as the business public did not originate with the Federal Reserve Act.

"As long ago as 1899 (I think it was even before that) the Boston Clearing House instituted and developed a par clearance system for New England. That was followed by Kansas City and in different places throughout the entire United States. The movement was well under way before there was written into the Federal Reserve Act something which provided that all checks should be collected at par, at least in theory.

"If the opponents of the Federal Reserve collection system should succeed in killing it, I venture to suggest that banks in the old reserve cities, through clearing house or individual action in self-defense, will take such action as will prevent a recurrence to old collection methods.

"Second. The collection by Federal Reserve Banks cannot be divorced from the reserve provisions of the Federal Reserve Act. Unless national banks can again consider balances carried with other national banks as reserve, then we cannot go back to the old method of check collection without making the cost prohibitive to country banks.

"Third. The statement that some 20,000 banks are not members of the System because of the check collection provision is not in accordance with the facts. There were in round numbers only 10,000 national banks before the Federal Reserve Act was passed. Did you ever hear anybody say that there are only 10,000 national banks in the country and 20,000 State banks and we should, therefore, abandon the national bank system?

Why State Banks Are Out

"THE reason these State banks are not members is not hard to understand. Under the State laws they have a privilege which nobody can blame them for availing themselves of, by which every check, no matter where payable in the United States, becomes instant reserve the moment they charge it against their city correspondent. By the perpetuation of that system, which I am not going to attack, you have given to them a privilege which naturally they are not going to forego. That is why I think at least 19,000 out of the 20,000 banks are not members of the Federal Reserve System.

"Finally we must remember that no matter under what system you collect checks there is only one way in which a country bank can profit in exchange and that is they must charge more than the average. When the average used to be a tenth of one per cent many years ago, these same country banks charged a quarter. When the average rate went to a tenth they charged an eighth. When it got to be par, they want a tenth of one per cent. Where? Just in those sections where they have al-



John G. Lonsdale, President National Bank of Commerce, St. Louis, and daughter Eileen, at the A. B. A. Convention.

ways charged more than other sections charged, namely, the South and the Northwest. I think we will see a continuation of the opposition to par collections as long as those particular banks can profit by charging more than the rest of us charge."

N. S. Calhoun

N. S. CALHOUN, vice-president of the Bank of Maysville, Ky.:

"It is a mistaken idea that country banks do not like the par collection idea. We have found that we would rather have our customers' checks cleared at par than get the little profit we would get by taking off a tenth of one per cent. That is not an objection.

"One of the speakers before me stated an objection, which amounts to considerable to country banks. They want the cash in their vaults counted as reserve. Some of the States have made their own laws more favorable to non-member banks. That is one reason they do not go in.

"In my State we are required to have the same reserve for non-member banks as they would have if they were in the system. One-third of that reserve must be kept in cash. You can keep it all in cash if you want to, but they must count what they have in the vault.

"Another reason is that the float of a non-member bank is counted in his reserve. When he sends a check to his city correspondent, he counts that in his reserve for that day. Non-member country banks cannot do that and he has a lot of items out for which he can not get credit in his reserve requirements. If he happens to get

under the line he is penalized, and it makes it expensive for him.

"It occurs to me that the city correspondents of the country banks can do more to get the non-member banks in line than anybody else. The average country banker looks to the city banker for all kinds of advice. If there is a concerted effort on the part of the city banks to bring in country non-members it will have wonderful results.

"I do not think that interest should be paid on balances by Federal Reserve banks when the balances get beyond the legal requirement. We do not want to build up too much cash in the Federal Reserve banks, but they should pay interest on the balances that the member banks are required to keep on hand in the Federal Reserve bank."

The discussions were characterized by great earnestness and were marked by an evident desire not to impair or undermine the Federal Reserve system, but to visualize the usefulness of a central bank and to make suggestions for the improvement of the system.

To all bankers who listened to the addresses, the Federal Reserve forum will be long remembered as a convention feature of great utility.

To Messrs. Hazlewood and Bell who opened the forum, an allotment of fifteen minutes each was made; to other speakers five minutes each were allowed.

It is believed the opinions expressed during the forum will be of value to the Congressional committee charged with the duty of ascertaining why more banks are not members of the system.



School Savings Systems

By THOMAS F. WALLACE

Treas., Farmers-Mechanics Savings Bank of Minneapolis

Attempts to Introduce Commercialism to School Banking Found to Cause Loss of Interest. Accounts Cannot Be for Families, as Children Regard Them With Individual Pride. Advantages of Having But One Such Bank in Each Community.

SCHOOL savings banking in our public education institutions has now reached a point where it has ceased to be classed as an educational fad or an economic experiment and is recognized as a factor of growing importance. However, its success has brought some temptation to depart from its early ideals and substitute the goal of present material gain.

The purpose in the minds of those who first introduced and advocated school savings banking was not only to inculcate in the minds of school children by precept, but through practice to found sound thrift principles. So prominent was the idea that one of the chief obstacles to their progress was the difficulty of interesting banks sufficiently so that they would undertake the responsibility and incur the expense necessary to install and conduct such systems.

Now that the school savings bank is a success, there is no longer a difficulty, and banks in ever increasing numbers are enthusiastically cooperating in carrying on the work. Results, as shown by reports, have been most encouraging.

Thrift education means:

1st. The training of the individual not only to become a self-sustaining member of society but so that he will in time be able and willing to repay to society at least a part of the debt he owes it.

2nd. The development of self-control to such an extent that he will be willing to sacrifice the gratification of trivial present desires to attain greater permanent good.

3rd. The acquisition of sufficient knowledge to know how to spend wisely.

An Underlying Virtue

THRIFT is not the greatest of virtues, but underlies the practice of most of the cardinal attributes, whether they pertain to the individual, society, or the State. If, then, the education of the child in thrift is one of the high ideals to be cherished in our schools savings systems, it is self-evident that school savings should have a place and official recognition in the educational programs of our public schools. The teachers as well as the scholars should be made to feel the importance of education along these lines and both should receive from superintendents and boards of education due recognition for excellence in this department. But if bankers demand recognition of the importance of thrift

education, it is equally incumbent on them to maintain high ideals in management and control of the practical side, collection, safekeeping and scrupulously correct accounting of all sums deposited.

No Immediate Profit

THIS can never be accomplished if banks in any community seek to derive direct commercial profit from such deposits or strive to make what should always be a child's school savings account and nothing else a convenient depository for the family savings. Many specious arguments could be advanced to show that the latter course aids in inducing habits of saving in other members of the family, but the fact remains that if the thrill of individuality is lost you have departed from the true purpose and have placed emphasis on something else which, worthy as it may be, has no place in school savings banking.

Again, introducing commercial gain into school savings in place of education of the child, departs from the ideals of the founders, endangering the entire plan. This is very real and various companies and agencies organized for the purpose of installing certain special systems and selling certain equipment in connection with school savings is making this more acute every year because of the emphasis they put on the purely commercial side.

The bank should not engage in this work primarily for the extra deposits it brings. If so, the essence of the work is lost. The bank should be doing it for the sake of the boys and girls, so that the next generation may be composed of the right kind of men and women. Into this consideration of immediate additional financial gain the institution does not enter.

No mere method or system can assure success. The task is not simple and the expense is heavy if properly performed, for experienced workers, intelligent inspiration and intense loyalty to ideals are required. Even when the plan is officially endorsed by the educational authorities, the depository bank must help to inspire teacher and scholars. Bankers or educators who believe that a school savings system can be operated without constant personal stimulation by someone so interested as to find pleasure in detail and drudgery are mistaken.

Whole-hearted cooperation from teachers cannot be secured if they suspect that the interest of the depository bank is

largely material. More efficient operation and better supervision result when one bank in a city assumes entire charge rather than where a number jointly attempt the task. This is especially true where one bank has assumed the responsibility and financial burden of early years of operation and has already achieved a considerable degree of success.

Total Now \$9,600,000

IN a recent survey of forty cities having populations of from 30,000 to 35,000, where school savings systems are being conducted, thirty-four were operating with control in a single bank. In three of the remaining six, located in the South, there were but two banks operating, one for the white children and one for the colored. The remaining three cities in this list where more than one bank conducted school savings, stand at or near the foot of the list.

Plural operation almost invariably tends to develop jealousy and commercial rivalry with respect to the sum of deposits collected by each bank and, owing to the varying degrees of importance attached to the system by various institutions, makes the establishment of a common standard of efficiency practically impossible. In addition it introduces financial politics into the school boards, and despite sincere endeavors to overcome these handicaps they cannot fail to hamper and jeopardize the true success of the plan and lower the enthusiasm and loyalty of the teachers in carrying on their part of the work.

Nor can the same quality of personnel, sufficiency of equipment, or intelligent and harmonious supervision be expected in these circumstances. School savings are now operated in connection with our public schools in more than 489 towns and cities in the United States, operating in 6884 buildings, and school children now have on deposit through the medium of this agency more than \$9,600,000.

It is urged that nothing be allowed to lower the high ideals which have actuated those banks which were pioneers in this movement or allow direct material gain or plural management to tarnish the record of achievement already made. There is a greater possible achievement in the future in the sound education of our youth in thrift.

Trust Company Division

President Theodore G. Smith's Address. Bankers Must Guard Federal Reserve System. The Division as an Example of Practical Idealism That Characterizes the Nation. Plan of Vice-Presidents for Publicity. Trust Companies' Resources.

THE trust companies of the United States plainly are becoming stronger and more firmly entrenched in public confidence day by day, President Theodore G. Smith of the Trust Company Division declared in the President's annual address opening the Division's conference.

Vice-President Evans Woollen sketched the year's activity of the Division.

"We who are close to the activities of the trust companies," said President Smith, "are bound to be convinced of their exceptional value, especially as powerful agencies for the conservation and development of wealth, much of which would be dissipated in the absence of such trained and disinterested guardianship."

Today the problems and requirements of our great corporations are such as can best be met by utilizing the intensive service which has been established in the highly organized trust companies.

"It seems to me the Trust Company Division is a real example of that admirable, practical idealism by which this Nation is characterized, and its methods and service constitute a notably high type of cooperative effort. By getting together and working side by side in harmony, we have been able to remove existing or threatening evils, improve the character of our service, broaden its field, increase its revenues

and quicken the spirit of all who share in this cooperation.

The United States is the most prosperous of all nations, yet we are menaced by the voice of the pessimist, the discordant note of the radical

and the hand of the destructive agitator.

"We have domestic problems, but they are problems born of prosperity and not adversity, yet many of the solutions offered are so devised as to strike at the very vitals of our Government and our cherished institutions.

"The banking situation is sound, and funds have been ample at all times to meet the requirements of business. Business remains large, and the underlying basis for its continuation seems firm. Inventories are generally conservative, bank credit is not over extended, and adverse factors in the business and economic position are being discounted; yet there appears a mania for exchanging the tried and proved for the new and alluring.

"It is time for us to take stock and examine well our foundations. Better to fit ourselves to grapple with the big problems of government, we ought to recur frequently to the fundamental principles on which this Government rests.

"Never did a people have such leaders as did this country in its founding. The immortals — Washington, Jefferson, Hamilton, Madison, Marshall and a score of other great men whom Providence seemed to have raised for the purpose — inspired and created those institutions which have so successfully met all the tests of nearly a century and a half of our national development.



EVANS WOOLLEN

President, Fletcher Savings and Trust Co., Indianapolis, New President of Trust Company Division

Courage Is Needed

"THESE institutions have in every instance constituted our sure protection in periods of difficulty in the past and may be relied upon to carry us safely through those of the future, if we remain sternly jealous of their integrity and resist the interested efforts of those who are too often urging us to undertake policies which would weaken or destroy the foundation upon which these institutions stand.

"I will not undertake to dwell upon all such policies or problems, but the menace with which bankers are particularly and intimately concerned is the danger of the Federal Reserve system coming more under political control than under banking control, and that the facilities of the system may be exploited by the dictates of political expediency rather than banking and business considerations. Human nature in money matters tends to express itself along the lines of least resistance.

"The political control of banking affairs would be a temptation to surrender to clamors for every kind of banking action which would conduce facilitation of business booms through inordinate expansion of credit and credit currency.

"It takes courage as well as intelligence and experience to follow the lines of right reasoning and conscience in banking conduct. It is too much to expect of politics, as we know politics, to exhibit such courage by taking counsel of banking and business intelligence and experience and follow it.

"The best time to frustrate movements for the political domination of banking in the country is before they have gained much headway.

"That time is NOW! There are no Americans so well qualified to inaugurate, lead and carry on the opposition to political unwisdom in banking and monetary affairs as the bankers. They have for the most part deservedly earned and they hold the confidence of their communities.

Bankers Must Lead

"IF any changes are to be made in the Federal Reserve system, they should be made by practical bankers. Nothing could be more emphatically the business of bankers than whatever concerns the safe and sane conduct of this great system on whose proper functioning depend all the operations of the American industry and commerce, of production and distribution which are the terms of our prosperity.

"Bankers, awake! You know the facts and the truth. Meet your responsibilities. The need for constructive leadership is calling as never before.

"The Nation has just suffered a grievous loss in the death of a beloved leader, one who worthily maintained the highest traditions of the Nation and was ardent in his admiration and respect for those principles upon which the Government is established. We now realize, as perhaps we did not before, how completely he had won the confidence of our own people, as well as the good-will of the entire world.

"This same confidence is being freely and generously given to his successor, a thorough American in the broadest and finest sense of the word.

"America," Mr. Coolidge says, "is built on faith in the individual, faith in his will and power to do right of his own accord, but equally is the determination that the individual shall be protected against whatever faults may be brought against him. We believe in him not because of what he has, but what he is."

"I can find no more fitting message than that of Senator Lodge in a recent address to the people of Massachusetts:

"Your advance, your achievements are all your own; the work of America has been to build and without classes, without differences of race or creed; it is the duty of all to stand close-knit together and simply as Americans to march forward. Give no ear to the plotters of destruction. We are a nation of builders and the doleful prophets of despair are not for us. Put your utmost trust in America."

Midwinter Conference

THE mid-winter conference in New York will open on Feb. 13 and extend through Feb. 14, it was announced.

The following officers were elected for the year: President, Evans Woollen, president, Fletcher Savings and Trust Co., Indianapolis; vice-president, Lucius Teter, president, Chicago Trust Co., Chicago; executive committee (three-year term), J. N. Babcock, vice-president, Equitable Trust Co., New York; John B. Larner, president, Washington Loan & Trust Co., Washington, D. C.; W. S. McLucas, president, Commerce Trust Co., Kansas City; Frank P. Kenison, vice-president, Ohio Savings Bank and Trust Co., Toledo; A. C. Robinson, president, People's Savings and Trust Co., Pittsburgh, Pa.

Mr. Woollen said the division vice-presidents' conference had agreed that all vice-presidents should make it a point to get all the publicity possible in their communities on trust matters and to spread the news of the proceedings of the convention.

An effort, made in former years, but never with great determination, to get the State organizations to add trust divisions, will be among the specific aims of the vice-presidents this year, he said.

Lucius Teter, president of the Chicago Trust Co. and chairman of the executive committee, reported on the committee's five last meetings. At one of these the committee decided on a suit to test section 226-C of the Revenue Act, and although the administrative committee of the association did not make the requested appropriation, "we had the nerve to go ahead with it, hoping that somehow we would have the money to pay for what we believe is a great service to all persons who deal in estates," he reported.

The executive committee, Mr. Teter said, has appointed special committees on inheritance tax and insurance trusts.

The division unanimously adopted a resolution offered by the executive committee reasserting the agreement made at the 1918 meeting at Chicago to elect the association's second vice-president from the Trust Company Division on certain years. "We deem the observance of the agreement of vital importance," the resolution said, "to the unity and integrity of the American Bankers Association."

Many problems of grave importance were handled by the committee on legislation. Chairman Henry M. Campbell being absent, the report was given by John C. Mechem of Chicago. He branded section 226-C of the Revenue Act as one of the most unjust and iniquitous of our present law, and said it was one of the main problems of the committee, which has been working closely with the Fiduciary Association and large trust companies of New York. He gave the history of the fight, still on in the courts, against the present interpretation of the law. He promised that, although the committee is still in doubt about the financial support, it will do everything it can to bring the case to a successful conclusion. Personally, he favored continuing the test suit regardless of any action that might be taken relative to amending the act.

Combatting Bills

NATHAN D. PRINCE of Hartford, Conn., chairman of the committee on protective laws, outlined the committee's fight against bills in State Legislatures harmful to the interests of trust companies. The work of protecting trust companies against the increasing radicalism in legislative enactments requires constant vigilance. Hundreds of bills concerning trust companies are now introduced every year in State legislatures, and although 90 per cent of them never see daylight after they are sent to the committees, it is part of the committee's work to watch the progress of them to safeguard trust companies, said Chairman Prince. A drastic proposal in one State encourages other States, hence the necessity of the most scrupulous watchfulness.

He urged members, particularly State vice-presidents, to see that proper legislative committees are appointed to assist in keeping the watch.

The next speaker was Francis H. Sisson, chairman of the committee on publicity, whose address is printed elsewhere in this issue.

Community Trusts

FRANK J. PARSONS, vice-president of the United States Mortgage and Trust Co. of New York, in his report as chairman of the committee on community trusts, said there were forty-four community trusts in the United States and twenty-two of them have received gifts under wills, living trusts or in cash. Ten are doing active work, eight are distributing incomes and five have received gifts of more than a million dollars. The work, he said, has progressed in exact proportion to bankers' appreciation and activity for this form of trust company service. Nothing ever happens when a trust merely passes a resolution, holds a couple of public meetings and sits back and waits, he pointed out. He favored the committee's compilation of a pamphlet on the subject.

A vigorous, respected man as director, public education and consistent publicity were urged by the speaker to stimulate trusts.

William S. Miller of Chicago, chairman of the Committee on Cooperation with the Bar, told how his committee was keeping

(Continued on page 267)

Reparations and Order

By FRANCIS H. SISSON
Vice-President of the Guarantee Trust Company, New York

Momentary Dramatic Incidents Tell European Story. Perilous Position and Threatening Revolutions. Liquidations of Hate and Debts. Italian and Austrian Pictures Not So Bleak. Soviet Will Last. There Is a Gradual Restoration of Order.

I HAVE just returned after two months of wandering through Europe in the hope of finding something in the way of inspiration or information which might be of profit in the work that we have in hand on this side of the Atlantic.

I think if I were to give you my impression of the various countries in Europe, briefly, I might describe three dramatic events which happen to be the first things I saw in three great countries which I visited.

I first went to England. As I was going to my hotel in London, the taxicab in which I was traveling was halted by a parade. I got out and looked at that parade and was interested to find that it was a parade of the unemployed. Thousands of England's idle workers were parading the principal streets of London, carrying banners of the most radical sort, proclaiming their right to labor, their right to share in capital, their right to doles, and their right to paternal assistance of all sorts in the hardships they were suffering.

German Disruption

THEY demanded governmental reforms of all sorts, and their protest against the existing order was voiced in that emphatic and picturesque way which we so often see the Anglo-Saxon given to when his feelings are deeply stirred. Perhaps there is no place in the world where radical thought is so freely expressed as in England, as many of you know, and it found the fullest and freest expression that afternoon.

I felt that there was a seething discontent at the economic conditions which bred that unemployment, which must be reckoned with not only by England but by the whole economic body.

Then a few weeks later I went across to the Continent and I entered Germany by way of Hamburg. We were prevented from landing in Hamburg by strikes which were in progress in the city at that time, owing to food shortage and money shortage. It had been impossible for the printing presses of Germany to keep up with the demands for paper money, and in default of payment labor had gone on strike all over that part of Germany.

The banks were issuing what were in effect clearing house certificates, seeking to stay the tide of discontent and keep labor employed. Many of the industries issued their own I. O. U.'s in lieu of money, but even they were not well received.

While France Parades

WHEN I landed in Hamburg finally, by indirect route, the first thing that greeted me was a terrific street riot in which six men were shot dead upon the principal streets of Hamburg and which ran on for some time before being finally stilled.

There I had an expression of what was happening in Germany—economic disorder due to inflation and to economic malpractice of all sorts, riots, discontent, social and political unrest of the most serious nature which might be expressed in complete revolution at any moment.

And then, after going down through middle Europe and visiting most of the countries in that section of Europe, I finally came to France. As I came in to Paris on a bright, sunny morning, my eyes were greeted with a magnificent parade of cavalry; military France, strong in her position and proud of it, parading to the world the supremacy of her great army and insisting to the world that she shall have her way, and that she shall collect for that which she believes she has suffered, and in which many of us have the fullest sympathy, of course.

Europe in Throes

THERE we have it—the unemployed in England, the rioting mobs in Germany, the marching cavalry in France. I think that pretty nearly expresses the situation as the casual traveler must see it as he journeys through those countries. We see this sharp conflict of interest and ambitions, these racial hatreds and animosities instead of decreasing, increasing. As one of our writers very well expressed it—"having fought a war to end war, we have apparently won a peace which has ended peace."

As another writer very well put it in one of the English papers one day: "It is very certain that Europe must liquidate her hates before she can possibly make any progress in liquidating her debts."

And so, in that atmosphere of ambition and hatred and racial animosity and economic chaos and strikes and riots and hunger, and by and by cold, we see Europe trying to struggle back to economic recovery.

Unless some solution of the problem is reached in the reasonably near future, I am willing to predict that you will see revolution and political and economic chaos

in Europe before a great many months go by.

Germany may then break up into several segments just as sure as we are all here. The prediction of those who have studied the situation at close range is that you will probably see a Bolshevistic and Communist Prussia, a monarchy in Bavaria, and a republican Rhineland. What the future of that situation will be no man can foresee.

Reassurance in Russia

BUT fortunately the picture is not all black. There were some bright spots which were most reassuring. Austria, two years ago at the bottom of the ladder and in the slough of despond if ever a nation was, by reason of the stabilizing influence of its financial reformation and of a fairly stable currency, is well on its way toward commercial and financial and economic recovery. Its people are going about their duties again cheerfully and hopefully, feeling that they are resting upon a sound foundation under which they can function again as a business people.

I had the privilege of talking to Dr. Zimmerman, the head of the commission which is now controlling the affairs of Austria, and found him quite hopeful of their future.

Even in Bolshevik Russia we find strong, reassuring factors of which we can well take cognizance here. We can be reasonably assured that the Soviet Government in one form or another has come to stay for an indefinite period, and while it has the intelligence to modify its economic program from time to time to meet world commercial and financial conditions, as a centralized power it is there to stay, I am sure.

Under their dictatorship they are gradually bringing order out of chaos and developing Russia's economic resources. Russia this year will have an exportable surplus of wheat, and exportable surpluses probably of furs and platinum, and maybe flax and some other things, with which they can establish credits abroad for again engaging in world trade.

Italy, too, under the strong hand of her dictator, has been making substantial progress.

What Can America Do?

IN some of the lesser countries there has been a considerable recovery, but back of it all lies this problem of repara-

No. 3 of a series of talks on the
means of testing an appraisal

Appraisals without bias

To be accurate and acceptable an appraisal must be made by an organization which is totally disinterested.

This organization must not have any financial connections or affiliations which would tend to influence its disinterestedness. Its point of view should not be distorted by the natural prejudices growing out of participation in other lines of endeavor. It should not be expected to weigh disinterestedly the merits of its own previous work. Its fees must be based upon the amount of work required to marshal the evidence of value—not upon the amount of value it finds.

Such an organization is the American Appraisal Company. Every American Appraisal is based upon facts as discerned and interpreted by the concerted experience of the whole organization—not of an individual. For more than a quarter of a century we have been supplying to the leaders of American business accurate and disinterested information concerning property costs and values.

The American Appraisal Company

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tions and the absolute necessity for the allied nations to agree upon some program and to settle the question once and for all.

As you go around the circle, again and again, you come to that one point of decision, that unless the reparations problem is settled, there will be no peace or permanent order in Europe.

What our part is to be in that situation it is hard to imagine. Certain it is that it vitally affects us. The situation there this year means a smaller purchasing power for our cotton and for our wheat and for our copper and for our manufactured products than we have known. Already the balance of trade is against us, and how far it will run with a decreasing purchasing power over there is, of course problematic, but

it is reasonably certain that it is only a question of degree.

So, it is our problem, and yet how to approach it is certainly puzzling to any American as he lives in the midst of it. Personally, I long thought some international agreement or some court, whatever you please to call it, was of vital necessity to the situation, but when you see the way in which such matters are scoffed at and ignored, when any particularly powerful nation's personal and immediate interest becomes involved, it makes you a bit skeptical of even that safeguard for the peace of the world. Perhaps it may justify itself as the only possible safeguard, but certain it is that it is not a complete one. And so we face this difficult situation cer-

tain that it is vital to us, and yet I must confess very uncertain as to how we can approach it or what service we can render.

Solution Uncertain

ONE of my clever newspaper friends, whom I met in Paris, with whom I was discussing the situation one day, in a very rapid, sketchy and offhand newspaper way, said, "You want me to give you a picture of Europe now? I will tell you what it is—the French cock crowing on a dung-hill." While that may be a bit highly colored, there are elements of truth in the description which we must recognize and which carry a distinct menace to the peace of the world and the restoration of world order.

We are certain our interests are deeply involved, but equally uncertain how we can approach and protect them. I have no solution to offer, but with all due humility I am glad to say that I thank God I live on this side of the Atlantic Ocean.

Trust Company Publicity

IN reporting for the Publicity Committee of the Trust Company Division, Mr. Sisson said:

"While the committee's resources have not been as large as they were in at least one previous year, nevertheless we feel that in some measure we have been able to convince the public of the value of the human service rendered by the trust companies. The committee plans to solicit subscriptions on the basis of \$25 minimum and \$1,000 maximum, hoping for a much larger representation among the 1900 trust companies to whom our message is directed. We have already secured subscriptions from 220 trust companies for next year's campaign.

Work Already Done

"I AM not going into the details of either the finances or the mediums we have used. Of the \$47,000 we hope to have received by the end of this year, we have already spent \$32,000, and the balance remains yet to be spent during the latter months of the year.

"We have received more than 11,000 inquiries concerning trust service through the medium of this advertising. We have distributed hundreds of thousands of leaflets and pamphlets, and we have distributed our monthly bulletin effectively to the subscribing companies in a constantly increasing volume and with constantly increasing results to them.

"We shall be delighted at any time to have suggestions or criticisms or cooperation, if you please, from any and all of the trust companies represented in the association, as we are quite conscious we have much to learn, and that only in community of thought and counsel can we expect to achieve anything like a high degree of efficiency.

"Bear in mind that this may not always be reflected in immediate profit or in directly increased business, but educational work can have no other result than the broadening of trust company service, the increasing of the public knowledge concerning it, and ultimately the public patronage of it."

Supervision of Savings Banking

Should Be Under the Jurisdiction of the Banking Departments and with Uniform Rules and Regulations. Division Will Cooperate with Other Forces to Stamp Out the Sale of Fraudulent Securities. Charles H. Deppe Chosen President.

THE annual meeting of the Savings Bank Division was divided into four main events which, in the order of their consideration, were: The appointment of the resolutions and nominating committees, addresses by Samuel H. Beach, Thomas F. Wallace, Allard Smith and W. R. Morehouse, reports of the various committees and the election of officers.

The Committee on Resolutions consisted of: J. W. B. Brand, chairman, Charles H. Deppe, S. M. Hawley, A. P. Howard and T. F. Wallace. The Committee on Nominations was composed of W. A. Sadd, chairman, and two past presidents of the divisions, Mr. Lersner and Mr. Strong.

Mr. Wallace, who is treasurer of the Farmers and Mechanics Savings Bank of Minneapolis, delivered an address on "School Savings Banking." He was followed by Allard Smith, vice-president of the Union Trust Co. of Cleveland, who spoke on "Industrial Savings Banking." W. R. Morehouse, the next speaker, vice-president of the Security Trust & Savings Bank of Los Angeles, Cal., discussed "Newspaper Advertising for Savings Deposits." These addresses appear elsewhere in this issue.

The discussion of the topics of the speeches was led by Charles H. Deppe, vice-president of the Union Trust Co. of Cincinnati, Ohio. In addition to the points brought out by the speakers, it was ad-

duced that, according to the fourth annual report on school savings banking, which is soon to be issued, it will be shown that practically 2,000,000 pupils are now participating in the system, which is an increase of 34 per cent as compared with last year, and

58 per cent as compared with 1921. The total of the actual amounts on deposit last year was \$9,618,000, as compared with \$5,775,000 in 1921 and \$2,800,000 in 1920. The hope was also expressed at this time that the Post Office Department will not, through

its Postal Savings System, seek further to enter this field along these lines.

Mr. Morehouse's speech was also much discussed by the members. The question of publicity aroused the interest of a number present to the extent of inquiries as to the best media and the forms of advertisements. Also the question of whether morning or evening newspapers were better.

The Committee on Resolutions made its report through Mr. Brand, chairman. They were as follows:

"Whereas, it is the unanimous opinion of this Twenty-Second Annual Meeting of the Savings Bank Division of the American Bankers Association that the extent and importance of savings banking should be more generally appreciated by the public and even by bankers; be it

"Resolved, that institutions receiving savings deposits should be under the jurisdiction and supervision of banking departments with proper uniform rules and regulations, and such deposits should be invested in securities of unquestionable value and safety;

"Resolved, that this division will continue its active cooperation with other established



CHARLES H. DEPPE

Vice-President, Union Savings Bank & Trust Co., Cincinnati, Elected President of Savings Bank Division

agencies, such as blue sky commissions, better business bureaus and commissions and the Investment Bankers Association in an effort to stamp out the sale of fraudulent securities;

"Resolved, that we note with gratification both the increase in the number of pupils who are participating in school savings banking systems and the growing disposition on the part of educators and teachers to regard school savings banking as a definite and an important item in school curricula;

"Resolved, that we commend the action of the executive committee of this division in placing before our membership a definite plan of industrial savings banking."

Officers

THE report of the Committee on Nominations, presented by Mr. Sadd, chairman, named: For president, Charles H. Deppe, vice-president of the Union Trust Co. of Cincinnati; for vice-president, Alvin P. Howard, vice-president of the Hibernia Bank and Trust Co. of New Orleans. As members of the Executive Committee to serve a three-year term: John H. Dexter, president of the Society of Savings, Cleveland, Ohio; Charles J. Obermayer, president of the Greater New York Savings Bank, New York City; Edward B. Call, president Farmers Deposit Savings Bank, Pittsburgh; as members of the Executive Committee to serve a one-year term, Kent M. Andrew, cashier of the La Porte Savings Bank of La Porte, Ind., and Charles L. Taylor, president of the Wilmington Savings & Trust Co., Wilmington, N. C., which selections were elected by the secretary casting one ballot for the members.

In the matter of school savings it was recommended that the savings banks undertaking this branch devote their activities solely to arousing the interest of the children themselves, and keep away from any alien features, even to allowing such accounts to become general depositaries for

the families. This, it was claimed, took away the child's desire to make it larger through his own efforts, as his small deposits were lost in the larger ones the wage-earners were able to put away.

It was further recommended that such banks put away for the time being any hope of gain or profit from such accounts, looking rather to their paying in the way of a continued account when the child grows older, or in the advertisement it gives to those interested in the child.

The Committee on Banking Facilities, composed of W. R. Morehouse, chairman, and Alvin P. Howard, Victor A. Lersner, vice-president of the Bowery Savings Bank, New York; Lawrence H. Whiting, president, Boulevard Bridge Bank, Chicago; Myron F. Converse, treasurer, Worcester (Mass.) Five Cent Savings Bank, and A. S. Van Winkle, president of the Empire City Savings Bank of New York City, has proposed a complete newspaper advertising service which will be sold to members at \$10 for a set of sixty advertisements by the Savings Bank Division. Each series of advertisements will be exclusive to one bank in each community.

During the year ended June 30, 1921, 26,000,000 persons in this country had savings accounts in the aggregate sum of \$16,618,595,000. In the year following there was an increase of 4 per cent, bringing the aggregate of savings and time deposits up to \$17,300,000,000, of which amount only \$2,642,000 were time certificates and but \$76,000,000 were postal savings. These statistics were compiled by the Savings Bank Division.

Purposes of Savings

IN the address by Allard Smith on "Industrial Savings Banking," it was brought out that the reasons for saving advanced by industrial workers are many and varied. One husband and wife were saving to buy furniture for a new cottage. An unmarried

man was saving to buy an automobile; a workman wanted to get together \$1,500 to buy a home; a young woman wanted to save for her trousseau; a married man was saving to meet his life insurance premiums; one put away \$15 a week to discharge a doctor's and hospital bill; one man is depositing \$2 a week to educate his one-year-old son. A sixty-four-year-old sweeper, who cannot write his name, said he was saving money to buy a new suit.

The question which raised the greatest amount of discussion, however, was that of publicity. After Mr. Morehouse's address, the meeting was thrown open to general consideration, led by Mr. Deppe. Mr. Dinwiddie of Iowa described some cards which he had got out some time ago, with the idea of stimulating interest in his bank, with the result that he ran afoul of the United States Government and was forced to give up all of his postals. In relating this experience he said: "I got out a series of cards. The first one was 'The Bank Sheds Interest Like a Duck's Back Sheds Water.' On one card I had a duck swimming in a storm. A companion card portrayed a few \$100 bills with four single dollars sliding from them. I did not use the word dollars. The pictures looked like money, but it was a postal card system.

"I had another one showing the dropping of dollar bills into a great pile of interest we had paid. That would have made a good moving picture. The Government commandeered my cards and destroyed them, insisting that I turn over the cards I had, with a penalty attached if I did not comply. Ever since that time, however, they have been allowing everyone else to do the same thing."

Mr. Morehouse was asked whether he had ever determined which days were best for newspaper advertising, and whether he preferred evening or morning newspapers. In response he said: "We have given considerable attention to which days are best. We always avoid Monday for the reason that Monday's paper is not usually very large, has not much news in it and probably does not get as wide a reading.

"We run practically every day in one paper," he said, "using four altogether. Tuesday we will use one, Wednesday another, but never advertise on Saturday, because we close at noon and depositors cannot get in on that day. As between morning and evening papers, that is a local question. In some communities the morning issue is the home sheet, in others some evening paper fulfils that need. In our case our home paper is published in the evening. We run advertisements in that right along when we wish to reach the women.

"If your notice appears in a morning paper, persons reading it can get into the bank without waiting all night to decide whether they want to do business with you or some other bank. If they read an advertisement at night, they may decide in the meanwhile to invest in something and set about it by morning. The morning publication, therefore, has the advantage that depositors can make the deposit during banking hours. We do not use Sunday newspapers because there is too much advertising in them to be effective.



At the Atlantic City Convention.—F. C. Driehorst, Pres. Half Dollar Savings Bank, Wheeling, W. Va.; W. A. Driehorst, Vice-Pres. Fulton Bank and Trust Co., Wheeling, W. Va.

National Bank Division

President Newcomer Decried the Multiplicity of New Laws. Too Numerous to be Enforced. Convention Adopted Resolution Urging an Amendment to Permit Nationals to Own Stock in Safety Deposit Companies. **Thomas R. Preston, President.**

“ONE of the greatest evils of the present day is the enormous number of laws being passed,” declared Waldo Newcomer in his address as president of the National Bank Division, “and it has been charged there is a deliberate Bolshevik influence working to increase the number of laws for the very purpose of having them so numerous that they cannot possibly be enforced, and thus the country be driven into a state of anarchy. Whether or not there is anything in this charge, the fact remains that the tendency to regulate everything by law does have the effect of making the code so cumbersome that nobody can keep up with it and know whether the things they are doing are legal or illegal, and it does have the effect of making people more and more contemptuous of law itself.

“Every session of Congress puts out thousands of new laws, every State Legislature adds an unconscionable number of State laws, and the municipalities are constantly passing ordinances. It is said that a New York policeman who is conscientiously determined to look out for infractions of all ordinances would be compelled to be familiar with the details of 16,000 laws.

“It would seem that the essentials for order and conduct of the country have been so well covered by this time that surely very few additional laws should be necessary, and it is hoped the grist mill of Congress can be reduced

to a production basis of 40 per cent of its capacity.

“It is not my purpose to enter into any discussion of the prohibition question, but I must register profound regret that this subject was introduced into the Constitution of the United States. The Constitution was intended to lay down the respective rights

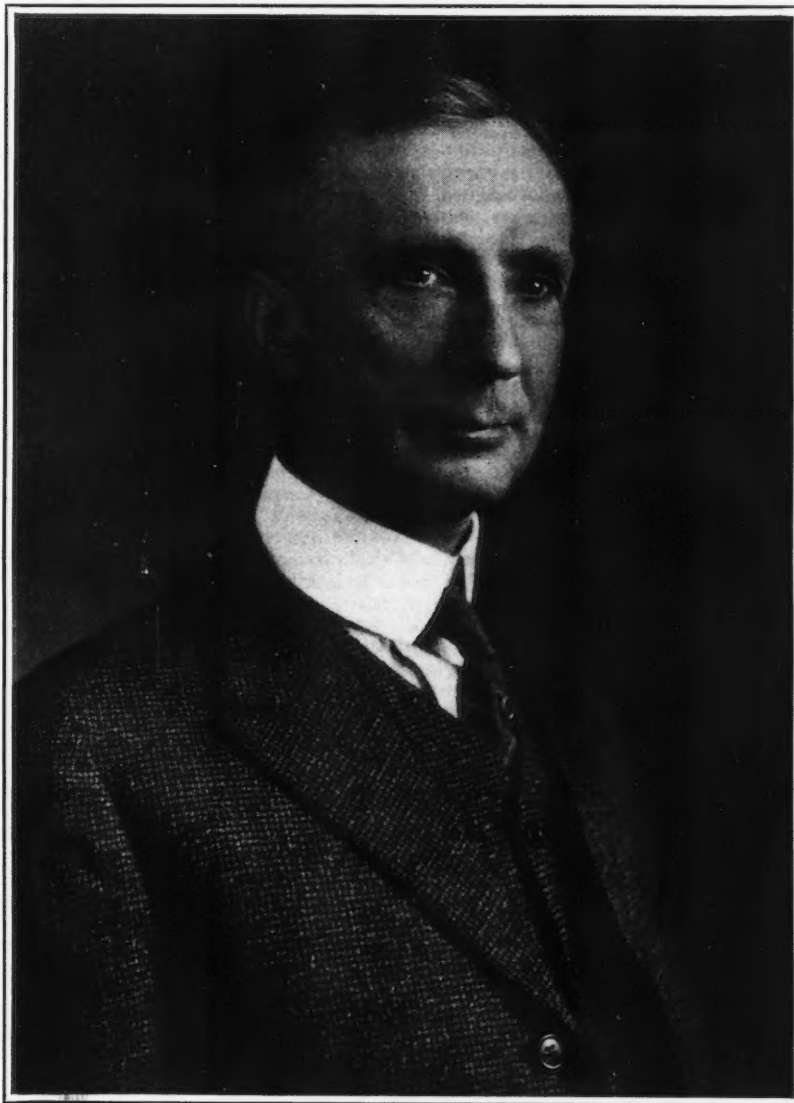
of the National Government and the State governments, and, to a certain extent, be a sort of declaration of rights and to direct the methods of procedure of the Government and the limitations to the laws which should be passed in order to defend the rights of the people. It was never intended to be a code of criminal law, as you do

not find in it or any of its previous amendments any reference to murder, arson, trade in narcotics, etc.

“The serious danger of introducing this present question into the Constitution means that there is nothing to prevent their going ahead with further amendments covering all the different crimes and misdemeanors and turning the Constitution into a code of criminal law, and there was no reason for putting it in in this case, except that the advocates wanted to fix things in such a way that it should be practically impossible to repeal, even though it should turn out to be most undesirable.

“Without the slightest concern as to whether you approve or disapprove of prohibition, and without expressing any opinion on its merits, I submit that the introduction of this into the Constitution of the United States was a serious blunder, which should be undone by repeal.

“There is a strong intimation that at the next session of Congress there will be a determined effort essentially to change the Esch-Cummins law, particularly the so-called guarantee



THOMAS R. PRESTON

President Hamilton National Bank, Chattanooga, Chosen President National Bank Division, American Bankers Association

clause. I think anyone who is familiar with the act or will even take the trouble to read it casually will say there is absolutely no guarantee in it. The general principle laid down—that the rates should be so adjusted as to yield a reasonable compensation—is scarcely subject to discussion, and it is difficult to see how any one can say that the figures laid down and defined as “fair compensation” are in any sense unreasonable. At any rate, it is beyond question that the law has not yet been in effect long enough to show how it will act under normal conditions, and it would be most inadvisable, and I might almost say disastrous, to tinker with it at this time.

“I sincerely hope that such strong pressure will be brought to bear on Congress that it will let the essential parts of the act alone until they have had a more complete try-out, and when suggestions for improvement can be submitted that are beyond question real improvements.

“It is perhaps dangerous to enter into a discussion of the labor problem, as it is too big and too complicated for a definite opinion of an individual to be worth much, but it is a most serious question in view of the growing demands of some of the labor unions, and it does not seem to me out of place to throw out a few suggestions in the line of ordinary fairness and good sense, which I believe will meet with the approval of the unprejudiced public.

Rights of Capital

“I BELIEVE firmly in the advisability of having labor organizations so long as they are properly conducted. The average laboring man has not sufficient education or intelligence or power properly to submit and sustain his requests for higher pay or better working conditions, or to cope with the opposition of his employers, and it is right that such demands should be systematized and submitted with the strong body of opinion back of it.

“In the interests of the public, however, such disputes should be settled by arbitration, if it is at all possible to get an unprejudiced body of arbitrators, and surely this should not be impracticable. I would not deny the right to strike individually or collectively, but where such action interferes with the rights of the public, fair notice should be given, and in no case should there be any opposition to their places being filled, any more than when an employer discharges one or more men should he have any right to prevent their finding other employment. I would concede the right of men to join unions and act in a body, but also I think they should be free from coercion and have an absolute right to work without its benefits if they prefer. This unquestionably is an indorsement of the open shop.

Liability of Unions

“I HAVE the same objection to the closed shop, which usually means entire unionism, and the closed shop in the sense of refusing employment to one who is a member of a union. But the with-

drawal of any objection to employing union men must carry with it the assumption of a reasonable and just organization of the union, and in all fairness, such bodies should be compelled to incorporate, so there will be the same ability to hold the union to its bargain as there is today to hold the employer.

“Is it right that, if an employer should break an agreement, he should be sued either to compel him to carry out the agreement or for the recovery of damages, whereas when it is broken by the other side there is no redress? When strikes take place and violence is used, resulting in the destruction of property to prevent the employment of others, I cannot see why the employer is not entitled to the full protection of the State as to his property and rights, the same as he would be if caused by any other lawless element.”

The address of A. E. Duncan of Baltimore on “Receivable Companies” delivered in this convention appears elsewhere.”

Mr. Cattell, the Optimist

EDWARD JAMES CATTELL, statistician of the City of Philadelphia, introduced by President Newcomer as an old friend and “known to many of the young bankers,” started the delegates laughing with the rejoinder that “I came down to pay my respects to this friend of my father’s.” He continued in his humorous vein: “Generally when I speak they play ‘Old Hundred’ as appropriate music. Sometimes if I have spoken before, they play the old hymn ‘Arise and Strike the Lyre.’ I am glad to be here just as an old bank boy who started in the old Corn Exchange about 1866. I am ashamed to admit so many years with charming ladies here, when I am a bachelor with hopes.

“To get on the other side, I am going to tell the ladies that I carried in my office for 25 years a sign which reads, ‘If a pretty girl passes and I don’t notice her, call for the coroner, I’m dead.’ I always insist that though I am barefooted at both ends, my heart is still young. While the Lord made man first and woman afterwards, man has been after woman ever since.

“Any one who has read history closely knows that Adam moseyed around the Garden of Eden for weeks and nothing happened; then Eve came along and everything happened.

“I am really optimistic; I cannot help it. Just about as optimistic as that dear little chap who fell downstairs. Some one came along and picked him up and said, ‘Are you hurt?’ He said, ‘No, I was coming down anyhow.’

“I have 60 years of clear cut memories. I can remember when our wealth was \$7,000,000,000, and it is now three hundred billion. The most remarkable thing about that is that our wealth has grown ten times as fast as our population. Very few people speak of that.

“I traveled 80,000 miles last year, speaking in 37 States. God has given me opportunity in the past 23 years to speak to more than 22,000,000 persons. I have lived 14 years abroad; I have studied and written about 84 organized governments and right here and now I want to say that I have a greater faith in our form of government

today than I ever had before in my whole life.

“I was talking in Boston night before last. A fellow speaker had brought back a report from Europe that made him just a little hesitant. I said to him, ‘Tell me your real view of the situation.’ He said, ‘Cattell, perhaps the best thing to say is that I am opening a new branch every two weeks. I have 700 already.’

“I saw a trolley in Philadelphia the other day that carried a sign, ‘This car is operated by one of the owners.’

“I think that marks advance. I think it is typical of the improved relations between real capital and real labor all over this country. I talked in New London on a day when they had the biggest speaker in the I. W. W. The manufacturers and bankers had asked me to come and hold a counter meeting. We had 50 per cent more at our meeting than they had at theirs. After the meeting a great big Norwegian, who stood six feet four, put his hand on me and said, ‘Dr. Cattell, I am going to keep for my boy the chance that you told us that boys have under our form of government.’ He went on, ‘I will have something to say to them at noon that they didn’t know before.’

“A good deal of our trouble is like that of Thomas Carlyle. He said to a lady neighbor, ‘You have got to sell that gamecock of yours; it keeps me awake all night. I can’t stand his crowing.’ She said, ‘Why, he only crows three times and each time three seconds. What is nine seconds of suffering to a strong man?’ He said, ‘Madam, you don’t know what I suffer waiting for the darned thing to crow.’

“We start a new theory; we work it up carefully and get it in concrete shape and then because it does not function in five minutes, we lose confidence.

Try Our Theories

“WE have not had time with a good many of our theories yet. We haven’t been to bat with them. Let’s give them time; do not be too quick to change and condemn; let us remember the other fellow.

“I am optimistic about the future because I have had my face up against the hard, but illuminating face of fact for a good many years. I stood alongside of Jay Cook on that awful 18th day of September, 1873. I sat alone the other night on the fiftieth anniversary of that awful day, thinking of what had happened, recalling how I left that banking house on Third Street, just off of Chestnut, to go around to Bank Street to collect \$4,800 for some Northern Pacific bonds I had sold. Coming back I found the street crowded; I turned to a policeman and said, ‘What is the matter?’ He said, ‘Jay Cook has failed.’

“I went inside the darkened room. I took the hand of my dear friend, George C. Thomas. He said, ‘Boy, we have gone down.’ I went into Mr. Cook’s office and then came down with Charley Warburton standing alongside and wrote the statement that we put outside, ‘Assets \$15,600,000; liabilities \$7,800,000.’ The people who kept the securities got better than that.

(Concluded on page 263)

"Save at the Shop" Plan

By ALLARD SMITH

Vice-President, The Union Trust Company, Cleveland

How Trust Company Got 10,000 New and Steady Depositors in a Few Months and Had Workmen, Foremen and Managers Enthusiastically Helping Industrial Saving. Selling Plan to Leaders and Persistent Follow-up. How Arguments Are Met.

THE Save at the Shop Plan (trademark registered), which was inaugurated in complete form in March, 1923, by the Union Trust Co. of Cleveland, is the result of about two years of most thorough and thoughtful consideration and experiment, embracing cooperative work and discussion with employees and employers alike in some twenty different industrial plants.

A description of the plan and the methods of merchandising this service may be divided into four separate, but closely related, operations: 1. Selling the management; 2. Selling the worker; 3. Installation and operation; 4. Resolicitation.

Selling the management is, of course, the first step. Many plant executives immediately see the desirability of the plan and realize the good effects it will have upon the worker. Others are inclined to defer decision until they can see how it works in some other plant.

Meeting Objections

THE objections most commonly raised by plant managers are as follows:

1. "The operation of the plan involves too much work and we are over-worked now."

Knowing how capable and broad-minded certain managers are, we are sometimes surprised to hear them raise this question, but it is quite natural. The keen executive nowadays, more than ever, perhaps, is scanning his expense figures and reducing or eliminating all non-producing overhead. This is answered by a demonstration of the simplicity of the operation of the plan, and by explaining that one clerk, in not to exceed two hours, can perform the work for 100 accounts, and this can generally be done during odd moments. It is not a non-producing overhead.

2. "I am not in favor of deductions from the payroll."

This is not a "deduction" in the sense that the company takes a portion of the employee's money. The workmen have the money, plus interest, and in the tangible form of their bankbook, so that in no sense is it a deduction. There is nothing in this operation which will create a demand for increase in pay. Actually a portion of the pay is given in form of a deposit slip receipt.

3. "I do my banking at another bank." This requires various replies, depending upon individual conditions. Sometimes it stops further work.

After the management has approved the

installation of the plan, then it must be sold to the employee. This is inaugurated by a talk with the department heads and foremen in a group, in which the plan is explained, its benefits outlined and the cooperation of the group requested. Without exception the foremen have been enthusiastic advocates of the plan. The men or women who will be in active charge of the payroll and whose cooperation and sympathetic attitude are desirable are also included in this thorough sales effort.

The bank then sends out an intimate letter to every employee at his or her home upon the letterhead of the plant.

After the deposit slips have been made out, the paymaster takes the receipts and puts up his payroll, inserting each receipt in the proper envelope, in lieu of the money. The deposit slips, together with the company's check in an amount equivalent to the total of the deposit slips, are then sent to the bank, where the amounts are entered for credit to each individual employee's account, the first entry being the designated amount to be deducted. In the operation of this plan all entries are made at the bank.

In most large factories they set up the names of the employees and the amount they intend to save on an addressograph, making it very easy to run off both original and duplicate deposit slips. These simple operations constitute the only work required of the plant as the result of the installation.

The work done thus far has simply prepared the ground for the most important work of all. The names of all new employees are obtained and letters sent to them. Every ninety days a resolicitation of the plan is made. These letters and resolicitation keep enthusiasm alive and the Save at the Shop idea prominent in the minds of the shopmen—both present and prospective savers.

Analysis shows that on the first solicitation about 31 per cent of the employees sign cards, and in the second solicitation this is increased to 50 per cent. A representative of the bank keeps in touch with the key men in the plant. This follow-up is most important.

This is followed two days later by a letter from the bank containing an authorization and signature card.

The next step is personal solicitation of the plant by two bank salesmen thoroughly trained in soliciting. The worker is solicited at his bench, lathe or machine, and if he has not previously done so, the workman signs an authorization card, same as the one inclosed with the letter from the bank.

This interview requires but a minute or two with each employee and does not interfere with the work of the shop men.

Operation of the Plan

AFTER the authorization cards have been signed, they are brought to the bank and passbooks are made out for each employee. These are then returned to the paymaster at the plant, and on the next pay day he delivers the books to the men, deducting from their pay the amount authorized. Thereafter, on each succeeding pay day he makes out deposit slips with carbon and receipts and padded alternately, furnished by the bank. These are so lined up that the receipt for the employee is automatically made out in carbon when the paymaster makes out the deposit slip.

As a constant reminder of the plan and its benefits, a liberal use of posters is employed. The two letters which are sent to the employees each contain a booklet describing the plan and its benefits in familiar language.

To sell the Union Trust Co.'s Save at the Shop Plan and to merchandise this service of our bank presented many interesting and difficult problems, always aggravated by an ever-present lively competition.

On March 15, 1923, when our campaign started, the attack was made simultaneously in five ways, viz., advertisements in daily newspapers, street cars and on billboards; direct mail correspondence with plant executives, and personal solicitation by eight specially trained salesmen recruited from the bank.

Plant managers, too, seemed greatly interested in the plan from the start, but many managers were persuaded to give the plan a trial only after much discussion.

Now, however, after approximately six months' operation, the situation has materially changed. We find employees are asking employers for the plan, and plant managers are now receiving our salesmen with a keen desire to learn about the plan. The accumulated interest by employer and employee, as one plant after another gets the plan into successful operation, initiates much favorable comment, which, assisted by advertisements and personal talks to the workers, has created a great amount of good-will toward the idea and the name.

Results Obtained

ICANNOT emphasize too strongly the point that the plant management and foremen must first be thoroughly sold, if

(Continued on page 278)

STANDARD SPECIFICATION *for* TERRA COTTA

First Edition
September, 1923

The Standard Specification for the manufacture, furnishing and setting of Terra Cotta has been completed, and is now ready for distribution.

This Specification is the result of exhaustive co-operative study and embodies the highest standard of quality, the best features of modern shop practice and the most thoroughly tested methods of incorporating Terra Cotta in sound masonry construction.

The Standard Specification enables the Architect to specify in detail every factor that makes for entirely satisfactory Terra Cotta.

Copies will be sent on request to Architects, Engineers and Building Contractors.

NATIONAL TERRA COTTA SOCIETY

19 West 44th Street, New York City

TERRA COTTA

Permanent

Beautiful

Profitable

Credit Discount Companies

By A. E. DUNCAN

Chairman, Commercial Credit Company, Baltimore

Receivable Concerns Now Handling Greatest Volume in Their History, Both Commercial and Automobile. Operation of "Notification" and "Non-Notification" Plans. Three Out of Four Motor Cars Are Bought on Time.

RECEIVABLE Companies offer re-discount service for customers' notes, acceptances, instalment and open accounts receivable, and stand between the "Sellers" thereof and the banking system, which advances most of the money thereon. These companies serve as a special agency for providing the necessary supervision to advance safely upon receivables which they also guarantee and assume as direct obligations to the banks.

The Federal Reserve Board, Division of Analysis and Research, after an exhaustive study of the Receivable Business, published an article "Finance Companies" in the Federal Reserve Bulletin of January, 1923 (Final Edition), at the end of which they summarized the "Economic Position of Finance Companies" as follows:

"In their fundamental characteristics finance companies date back both to the earlier money lenders in the large centers and to the 'factors' which for fifty years or more have operated largely in the textile industry. The former were chiefly individuals who advanced funds and took whatever security seemed most satisfactory. Factors often combine finance and merchandising by making sales for the mills which use their services and by advancing funds to the latter for manufacturing operations. These advances are made largely against the manufacturer's bills receivable, which are assigned to the factors.

"The money lender and the Factor still remain, but the business of finance companies has been placed upon a more scientific basis and is now recognized as distinct and separate. Their business has tended more and more to resemble the practices of commercial banks. The relation between the two closely resembles that between cattle loan companies and banks.

"There are in the United States a vast number of companies and individuals whose resources, or apparent credit risk, do not measure up to the standard required by banks. It is largely these that the finance company is called upon to finance. It does not necessarily follow that such subjects are not good credit risks, but merely that in so far as the bank is able to investigate, they do not fulfill the usual requirements. In addition, payments of the loans made to this class may be spread over a longer period than that for which a commercial bank will advance funds. The payments, too, are probably in small lots, such as instalments, which must be carefully watched and rigidly collected when due. Collateral offered as security is in small lots, such as a group of small accounts receivable.

"As a result, commercial banks find this class of business unprofitable at the usual rates of interest. If they charge more, it would lead to legal difficulties in some cases, and nearly always to dissension among those borrowers who have to pay the higher rate. Finance companies, however, by dealing only with this class of customers can charge more without causing dissatisfaction among customers."

3. The purchase of acceptances of dealers covering the sale by the factory of new motor vehicles stored with the dealer awaiting resale to the consumer.
4. The purchase of retail time sales notes covering the resale of motor vehicles to the consumer.

Current open accounts may be assigned upon either of two plans—"Notification" or "Non-Notification."

The Notification Plan requires that notice of assignment to the banker shall appear upon the face of invoices sent to debtors. This is most objectionable and is solely to protect the banker, who collects the accounts direct from the debtors without regard or notice to creditors.

As the debtors are not interested, the Non-Notification Plan does not require such unnecessary notice but the banker relies on the honesty of the firm selling accounts to collect and forward original remittances to him. This avoids friction with customers and loss of trade through a third party, the banker, usually in a distant city, trying to collect accounts, adjust discounts, differences, etc., direct with the customer.

Neither of the above plans provides for notice to creditors or means by which they may learn of such assigning. Therefore one is just as secret as the other, though only the Non-Notification Plan has been unfairly designated as "secret."

Experience proves that many firms prefer to have their creditors know accounts are being sold rather than to have their customers notified and disturbed by an outside banker trying to collect direct. Where accounts are bought on the Non-Notification Plan and left with the seller for collection, it must be evident that greater care is needed as to the credit, moral and financial standing of the seller. For this reason, business is frequently declined on the Non-Notification Plan and accepted with safety on the Notification Plan, one being just as secret from the standpoint of creditors as the other.

There is no more reason for creditors being advised when a firm sells its open accounts than when it discounts customers' notes and acceptances or borrows money on

bills of lading, warehouse receipts, etc. If money is honestly used in business to increase assets or reduce liabilities, there can be no fraud upon creditors and the actual dividend in bankruptcy will be but little less than if the accounts had not been sold. There are few cases of fraud upon creditors through the sale of accounts but frequent cases on receivable companies where unsecured creditors benefited.

Firms that sell accounts are not usually "hard up" or "broke," as may be assumed, but generally are "live wire," money makers, having more energy, ability and plant capacity than working capital. They prefer to look upon a receivable company as a "silent partner" and temporarily to give up a small portion of their profits and continue to control their business instead of seeking new partners or stockholders, involving extra salaries, possible loss of control, etc.

Many manufacturers have more practical than financial experience; will not carry proper bank balances; dislike to borrow money from banks; are located in towns with limited banking facilities; or have most of their capital invested in real estate, plant, machinery, etc., with current assets out of proportion, although they may sell the very best rated trade.

They can increase their volume with but little additional overhead; use extra money over the peak season; buy for spot cash or discount their purchases and thereby make most of the cost, if not more, and be in better credit.

If they sell on 6 to 12 monthly payments, their operating capital is quickly tied up and they must find a continuous outlet for such paper and be steady borrowers, to which a receivable company does not object but most banks do.

In 1922, exclusive of motor vehicle and instalment paper, one Baltimore company alone bought \$45,979,455.07 of open accounts from manufacturers and jobbers, of which \$6,988,294.75 was outstanding December 31, 1922. These accounts were bought from and guaranteed by firms rated in the Dun or Bradstreet January, 1922, Agency Book, with first or second credit rating, as follows:

Classification of Business

THE business of Receivable Companies is generally divided into four classes:

1. The purchase of open accounts, notes and acceptances from manufacturers and jobbers and an occasional loan on merchandise awaiting conversion into receivables.
2. The purchase of instalment contracts on household appliances, machinery, musical instruments, etc.

Customers' Ratings	Purchases	Per Cent	Outstandings	Per Cent
\$1,000,000 and over.....	\$ 4,678,313.67	10.2	\$1,213,376.80	17.4
500,000 and over.....	6,186,216.68	13.4	1,557,892.59	22.3
300,000 and over.....	9,824,677.54	21.4	1,918,839.73	27.5
125,000 and over.....	19,794,741.21	43.1	3,364,497.70	48.1
75,000 and over.....	22,170,880.18	48.2	3,516,432.53	50.3
20,000 and over.....	31,608,527.93	68.7	4,689,554.31	67.1
20,000 and under or no rating.....	14,370,927.14	31.3	2,298,740.44	32.9
Totals	\$45,979,455.07		\$6,988,294.75	

Are the Charges High?

WHETHER borrowing or not, desirable borrowers from banks usually keep 20 per cent average daily balance of their credit line, without interest, and liquidate entirely one or two months in each year. A two months' liquidation and discount of 5½ per cent and 6 per cent per annum on such loans on two 5 months' notes, makes an actual cost to the borrower of 7.40 per cent and 8.05 per cent per annum, respectively. Receivable companies borrow most on this basis and must charge to cover overhead, supervision, risk, etc., to make a fair profit.

This company buys thousands of invoices where customers are offered discounts of

Instalments on Household Appliances

THE General Electric Co., the Western Electric Co. and others have found it necessary to organize their own receivable companies to furnish a steady outlet to their distributors and dealers for financing instalment sales contracts of their customers. The Westinghouse Electric & Manufacturing Co. has a contract with our company for similar service.

From the standpoint of creditors and economics, the principle involved in this business is identical to that in financing open accounts and motor vehicle paper. Fortunately, the very names of these companies

The great development of the industry has been due to the financing of the sale of cars on time and, therefore, the industry itself cannot be much more sound economically than the business of financing the distribution of the product. I must, therefore, try to show that both are economically sound and necessary.

It is conservatively estimated that 75 per cent of all passenger cars and 90 per cent of all trucks sold in the United States are sold on time.

Loans to Receivable Companies

CREDIT companies, generally, transfer receivables purchased to a trustee and issue their own collateral trust notes against such collateral, although some rediscount such paper either with or without a bonding company guarantee and a few borrow upon their single name paper with agreement not to pledge any of their assets. Such short term loans to a well managed credit company are a very attractive and safe investment for a bank and much better than loans direct to the firms which sold the receivables, as the bank has the obligation of the credit company, which has a specially trained organization to supervise such loans.

The obligation of the credit company is usually secured pro rata and without preference by obligations of thousands of buyers owing small amounts; liens upon the articles financed; the obligation of the firm selling the receivables, except on low priced cars; a margin of 20 per cent to 25 per cent on open accounts; and the down payment margin upon other paper; also such receivables are usually excluded as collateral when they become 60 days overdue.

I should be glad to see every State require all credit companies to be organized under the Banking Laws with certain amendments thereto, and their business to be under the supervision and examination from time to time of the Banking Department, as are State banks and trust companies. Several now operate under the New York State banking laws, although a number of smaller ones in that State are without such supervision.

It is most difficult, however, for a credit company, organized, for instance, in New York, to do business in a number of other States, Illinois, for example. The banking laws would not harm the well managed credit companies, but would benefit them and, at the same time, would restrain mismanagement of other companies and curb the reckless promotion of numerous new companies with inexperienced management.

Convention Calender

Date	Association
Oct. 24-25	Nebraska Omaha
Oct. 26-27	Arizona Tucson
Oct. 28-31	Investment Bankers, Washington, D. C.

More than five thousand are killed and fifty thousand injured annually as a result of fire.

Eighty per cent of the fires occurring in the United States are due to preventable causes and carelessness.

On an Annual Volume of	2% for 20 Days is	Our Charge for 20 Days	3% for 50 Days is	Our Charge for 50 Days
\$ 100,000	\$ 2,000	\$1,300	\$ 3,000	\$ 2,500
250,000	5,000	2,500	7,500	5,500
500,000	10,000	4,500	15,000	10,500
1,000,000	20,000	8,500	30,000	20,500

2 per cent to 5 per cent for cash in 10 days, net 30 to 60 days. A discount of 2 per cent, 10 days, net 30 days, is 2 per cent for 20 days or 36 per cent per annum; and 3 per cent, 10 days, net 60 days, is 3 per cent for 50 days or over 21 per cent per annum. Including interest, exchange, etc., receivable companies usually charge 1/25 of 1 per cent per day on the net face of each account from date of purchase until paid, plus \$5 per \$1,000 only on the first \$100,000 of accounts bought in any 12 successive months' period, with no obligation either as to time or volume of business.

The following is a comparison of such customary discounts with charge:

A total cost, including interest, etc., of only \$6,500 a year to finance an annual volume of \$500,000 sales, with average collections of 30 days, certainly will not break any firm, even if no discounts for cash are offered.

almost overnight commanded more respect for their receivable business as being proper and legitimate than account companies were able to obtain in several years of their business, although the rates are about the same.

The manufacture of motor vehicles is today one of the largest essential industries, directly employing about \$1,500,000,000 capital and, with allied industries, representing an annual retail volume of some \$3,500,000,000 to \$4,000,000,000, giving employment to 2,000,000 people. Including employees of dealers, garages, chauffeurs, credit companies and others financing the sale of cars, the industry is probably first in importance.

The passenger car is no longer a pleasure car, but is the efficient, economical and necessary means of transportation of the day, revolutionizing the habits, happiness, ambition and efficiency of almost all of our citizens.



At the Convention: S. G. H. Turner, President Second National Bank, Elmira, N. Y.; Charles L. Schenck, Vice-President Peoples Trust Co., Brooklyn, N. Y.; Pelton Cannon, Vice-President Merchants National Bank, Poughkeepsie, N. Y.

With the State Banks

Necessity For Greater Membership in Federal Reserve System. Need of State Bank Cooperation to obtain a Standard in State Banking Laws and Customs. Dangers of Radicalism. Divorce of States' Banking Departments.

IN the convention of the State Bank Division there were two important addresses: "Cooperative Farm Marketing," by Carl Williams, and "Standard State Banking," by E. H. Wolcott, both of which are printed elsewhere in this JOURNAL.

In the course of his annual address, President H. A. McCauley said:

"Six years ago we met in Atlantic City to hear the report of the first year's work of this division. Since that time the work of the State Bank Division has included every problem of inflation and deflation, every question of war and peace, and every issue of the weak and powerful, as they applied relatively to State banking.

"During the past six years we have met together with the State banks of the North, the West, the South, and the East. We have tried to correctly understand the problems of each, and out of experience and counsel and wisdom gained, serve best and most effectively the greatest number.

"The greatest question with which this division has concerned itself from the beginning is how best to serve its membership.

"The State Bank Division, as an integral part of the American Bankers Association, has tried to accomplish, in its limited way, the greatest good to the largest number of banks which go to make up a single unit of the whole association. The platform upon which we operate is the broadest of any division. Here may meet the smallest as well as the greatest. The

fact that so many small banks make up the greater part of our membership brings this division closer to all the classes than any other. The business here represented is so diversified as to include every kind of com-

much slowly, it is because there are so many different problems of mutual interest and such limited opportunity in which to bring them together where they may be put into practical form and made to conform

without conflict to such other divisions of this association which may be interested with us.

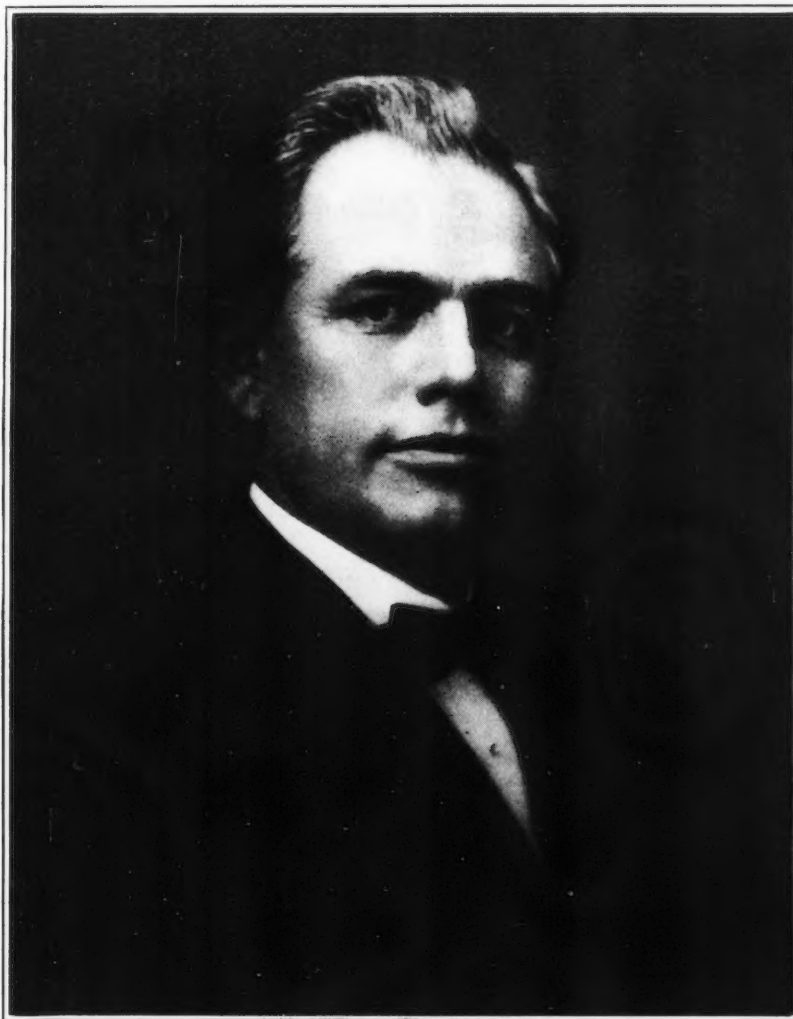
"The early years of this division were fraught with all of the difficulties that burdened the association because of the World War, and the latter years have been taken up with problems thrust upon us by an inevitable deflation. The problems that we have faced in the brief period of our existence have been many and varied, and, until we have reached that stage in the peaceful progress of nations where unusual problems cease to be the cause of organic weakness in our business structure, we may not hope to secure for ourselves the happy solution of difficulties that do not beset us in normal times.

Features

"THE work of the division for the past year embodies three features: The plans of the Farm Finance Committee, the Cooperative Marketing feature of the Public Service Committee, and the always important subject of

Standardized State Banking Methods.

"The subject of standard State banking is one of such importance that we have had presented by someone of experience, efficiency and authority the results that have been obtained from the efforts of



J. D. PHILLIPS,

President Green Valley Bank, Green Valley, Ill.; President of State Bank Division

mercial activity as well as agricultural and industrial. We meet upon this platform of congenial sympathy and interesting helpfulness, each with the greatest respect and regard for the other. If, therefore, we have seemed to achieve little, and that

years gone before and what may be accomplished by greater cooperation in the future.

"The necessity for greater membership in the Federal Reserve System is now as apparent as ever; and we must continue to labor in the general direction that State banking and the Federal Reserve System may come more into harmony with the plans and purposes that will accomplish the most for the public in general and banking in particular.

"There is one thing to which I would like to call your attention before closing, and that is the necessary application of the term 'cooperative' to standard State banking, not in the sense that banks should be cooperative institutions, but that State banks in every State should cooperate with each other in bringing about standard State banking laws and customs in a practical way. The American Cotton Growers Exchange, for instance, became a successful factor because of the methods and experience and knowledge that it was able to obtain from the Fruit Growers Association, which had pioneered the field.

"The Tobacco Growers Association is probably a strong functioning body because of the application of certain fundamentals of success that were obtained from the experience of the older cooperative bodies. These three cooperative associations cover widely different parts of the country, and yet, in a manner, they function the same; they correlate in a way to the advantage of the several parts of their organization and to the general advantage of each association.

"Why could not this principle be used to good advantage to make standard State banking possible? Each State has an association of State banks of its own. Could not these associations be as cooperative as the associations for handling commodities? Is there any good reason for the success of any one particular cooperative while another of essential importance fails to function? Is it not possible as well in practice as in theory for the State banks of various States to cooperate to that extent that laws destructive to the safe conduct of the banking business be repealed or their passage prevented, eliminating the evil and applying the good to all alike? Is it not time that this division formulate some plan by which differences and difficulties may be cleared away by the work of greater cooperation? The same principle that has made a success of the many commodity cooperatives might be adopted to advantage by this division in working out for our general use and safety such regulations and legislation as could be as generally applied as are now embodied in national banking laws."

Frank W. Simmonds, succeeding George E. Allen as deputy manager, urged the cooperation of all members of the division.

President Puellicher of the American Bankers Association praised the division's careful investigations as against the nostrums so often proposed to the farmer.

Federal Legislation

C. S. McCAIN, chairman of the Federal Legislative Committee, in his report warned against the growing radicalism in the States of the Middle West where the

demand for legislation affecting banking is increasing constantly, and cautioned against any laxity in vigilance. The report concluded:

"Your committee does feel, however, that several positive steps should be taken for the benefit of State banks to obtain Federal legislation with reference to the following matters:

"1. In the event a satisfactory solution of the par clearance question is not reached, then the State Bank Division through its proper committee should make a recommendation to the division for its adoption, which, if adopted, should then receive the support of the legislative committee as being enacted into law, as this question should not be one of constant uncertainty subject to various instructions and rulings.

"2. Undoubtedly, State banks, members of the Federal Reserve System, should have the right to be designated as Government depositories on the same terms as are now offered to national banks alone.

"3. State banks, members of the Federal Reserve System, should be permitted to rediscount with the Federal Reserve Bank eligible paper secured by staple agricultural commodities for which bonded warehouse receipts have been issued to the limit they are permitted to make such loans under the various State laws under which they are incorporated, provided in no event should such paper be eligible where it exceeds the capital and certified surplus of the bank offering, and provided that such an amendment should be made to Section 5200 giving to national banks a similar right.

"We wish to pledge ourselves to the active support and interest in any matters affecting members of the State Bank Division arising in Congress and stand ready to serve our members in this regard at any time."

State Legislation

C. B. HAZLEWOOD, chairman, reporting for the State legislative committee, recommended that all State banking departments be divorced from any other activities of State governments. The digest of States' banking laws has been completed, he said.

The Committee on Farm Finance, through Chairman W. C. Gordon, sketched the efforts of association members who advocated provisions that were finally incorporated in national legislation.

Credit requirements for farming now seem to be provided for adequately and present legislation should be tested before more proposals are made, he said. Cooperative marketing furnishes the most promising avenue of relief, the committee thought.

Chairman R. S. Hecht of the Public Service Committee said that body had devoted itself almost exclusively to the promotion of the cooperative marketing movement and study of its problems.

A questionnaire sent out by the committee developed these conclusions: 1. The farmers' difficulties have convinced them of the need of elimination of waste and of the need of cooperation. 2. The cooperative associations rest on sound economics but their success depends on their management and leadership. 3. These associa-

tions point the way to permanent solution of farm financing and if successful will benefit the farmer, equalize business activity, stabilize prices, reduce speculation and eliminate violent fluctuations in bank deposits. 4. Much good has already been done the farmer by the associations. 5. The association idea is expanding. 6. The greatest danger is the temptation to hold commodities for speculation. 7. The cooperative bodies should retain a certain part of every year's funds to be set aside as an emergency surplus. 8. Credit facilities available for cooperatives has increased greatly. Plenty of money is now available.

Because of a lower loaning rate the intermediate credit banks have become the direct competitors of the commercial banks, and the committee fears this, in the end, will not be in the best interests of the associations because of friction bound to develop between the banks and the Government agencies.

Legislation has done about all it can for the farmer, and to make it still easier for him to borrow would be detrimental, the committee concluded.

Par Clearance

AN important feature of the Committee on Exchange Report, according to Chairman Charles deB. Claiborne, is the non-member feature. The North Carolina Supreme Court having ruled that the Federal Reserve System had nothing to do with the banks which were not members, the matter of charging exchange is left entirely to the non-member banks. The committee, therefore, recommended:

"If you think that par collections is fair and sound, go ahead and stay on the par list and par collections. But if you believe that it is unfair and that it is unsound now that we have made it possible for you to charge the exchange which you have contended all along at these conventions that you are entitled to, we say that in fairness to the committee you should be fair enough to get off of the par list, to show the board that you really meant what you said."

Discussion

A. H. MILLER of Washington, responding to the call for reports from vice-presidents, said there was intense interest in the Northwest in cooperative marketing and that the State's alfalfa growers were organizing to guarantee the marketing of 75 per cent of the product from the State's 100,000 acres in alfalfa.

The session closed with a general discussion.

Mr. Williams said a farmer whose property was heavily mortgaged could join a cooperative with the assistance of the bank through a special chattel mortgage or an agreement between the banker and the association to let all the farmer's products go through the association. The banks are generally glad to consent because it helps their customer get more money for his products; he is increasing trade by increasing agricultural profits and he is relieved from collection of the debt which is taken care of through the association.

Harry M. DeMott of Brooklyn suggested a resolution be passed requesting an amend-

(Continued on page 273)

Uniformity in Banking Laws

By E. H. WOLCOTT
Bank Commissioner of Indiana

Wide Diversity of Legislation Regulating State Institutions Makes for Confusion Among Bankers and Concerns Having Countrywide Deposits. Liability of Bank Stockholders Also Varies. A Recommendation Looking Toward Uniformity.

GREATER uniformity is necessary in the banking laws of the various States. To some extent they have kept pace with the National Government by granting enlarged powers to the State banking institutions, limited and prescribed at first. These were granted to conform to the enlarged and extended powers of the national banks, but the laws regulating these State banking institutions have not kept pace with changed methods of operating them. National banks operate under one uniform law. Why not State institutions when their granted power of conducting business is the same? State banks, or banks of discount and deposit, private bank and loan and trust companies, giving the same service and functioning alike in many States, operate under different laws, enacted when original rights were granted and not changed to meet changing powers and privileges. Wherever these various institutions are restricted and controlled in investments and services rendered, there should be different laws and regulations, but where services and functions performed are alike, there should be no difference in the laws regulating them.

I prepared a questionnaire, which I sent to the heads of the banking department in each State, asking certain information. This was to determine how much difference existed at this time between various State banking laws. There is much uniformity, and I believe that the replies indicate that a uniform law can readily be evolved so as to standardize the laws governing State banking institutions to a very large extent.

Question 1 was as follows: "Do you have a charter board, or does banking department approve or disapprove applications for bank charters? What is length of charter? How many years?"

Twelve States, including Indiana, have charter boards; in twenty-six States charters are granted by the department of banking; in Delaware charters are granted by a special act of the Legislature; in Virginia by the corporation committee, after approval of the judge of a local court; in South Carolina by the Secretary of State.

Many States where commissioners grant charters have a proviso for appeal, in case charter is rejected, to a board consisting of the governor and other officers. In New Hampshire charters are granted by an act of the Legislature.

There are four States granting charters for twenty years, including Indiana: three for twenty-five years; three for thirty years; six for fifty years; two for ninety-

nine years; one for 100 years, and twelve unlimited. In Ohio the law is the same as for corporations. In some States banks have charters differing from those issued for savings and trust companies. Iowa's banks are granted charters for twenty years; savings and trust companies, fifty years; Pennsylvania banks of discount, twenty years.

My own impression is that charters should be granted for at least fifty years by the department of banking, with the right to appeal to a charter board in case charter is not granted.

The next question was, "In closing a bank, who has charge of liquidation—department or is receiver appointed by the courts?"

In twenty-eight States the banking department takes charge of insolvent banks. In many States a receiver is appointed by the court. In others the department acts under order of the court. In ten a receiver is appointed by the court, and the banking department has no further connection afterward. In New Mexico the commissioner takes charge and has sixty days to ask for a receiver. The commissioner may be appointed as such.

In Missouri the court can appoint the commissioner or deputy commissioner. In North Dakota two general receivers are appointed by the Supreme Court, which has charge of all closed banks.

From a review of the foregoing and my own experience, I believe that the department of banking should take charge of all closed institutions and administer them until final settlement, this being most economical and efficient.

The next question was, "What different kinds of banking institutions are permitted under your law?" The answers to this disclose many differences.

Twenty-seven States permitted commercial banking, loan and trust companies and savings institutions, but not private banks, except those in business when a recent law prohibiting them was enacted.

Thirteen permit commercial banking, loan and trust companies, savings banks and private banks, among these being Indiana. Private banks in Connecticut give bond to secure depositors.

North Dakota only has State and national banks. In Georgia trust companies not doing a banking business do not come under the supervision of the banking department. Oklahoma has only State banks, no trust companies. In Illinois the law does not permit private banks and has a special act for the organization of trust companies.

Texas has guaranty fund and bond security banks, but does not permit private banks, except those previously organized.

Question four is supplementary to the foregoing. "If private, State, loan and trust companies are allowed, is the law governing these the same or different?"

To that twenty-nine States reported laws governing the different types of banking institutions practically the same. Eleven, including Indiana, differed. Iowa and Wyoming have laws restricting investments for savings banks only. Mississippi's law is practically the same for all banks, but limits deposits of commercial banks to not exceeding ten times their capital and surplus, for a longer period than six months. No restrictions on savings banks.

Question five, also supplementary, "If different, please state the difference."

The differences are in reserve requirements, investment restrictions and loan limitations. The difference in cash reserve requirements is minor, and a uniform requirement could easily be determined.

Cash Reserve Requirements

IN Iowa, for example, commercial banks must have 15 per cent cash reserve. Savings banks and trust companies must invest 50 per cent of their deposits in real estate mortgages or United States or State bonds and carry 5 per cent cash reserve. Practically every State has cash reserve requirements at this time, but previous to 1907 the laws regarding cash reserve were not general. In Minnesota savings banks are mutual under a new law, and investments are authorized by specific act. A certain amount of capital of trust companies must be invested in authorized securities, even while they can do a general banking business.

In Georgia savings banks are mutual with restricted investments. Pennsylvania has different laws applying to different institutions. Massachusetts has special laws governing each kind of banking company. Michigan has laws limiting powers of trust companies, prohibiting them from doing general banking business.

Ohio has different laws affecting different banking institutions, respecting loan limitations, investments, reserve requirements, etc. New Hampshire also has different laws and regulations for each kind of banking corporation, but it does seem possible to me to secure uniformity regarding investments or cash reserve requirements or loan limitations.

(Continued on page 270)

Cooperative Marketing

By CARL WILLIAMS

President, American Cotton Growers Exchange

Group Selling Brings Most Important Development in History of American Farming. Agriculturists Still Closer to Banker. Stability and Promotion of Prosperity. The Cooperative Association as Customers. Banks Helping the Cooperatives.

BANKERS and farmers are partners in prosperity and adversity at all times and under all circumstances."

The fundamental reason for this all-inclusive statement is that the banker is the foundation of production credit in agriculture.

America's crop values average more than \$8,000,000,000 a year and the banks finance the production of most of it. In the cotton South and in the tobacco districts only 12 per cent of the farmers can finance their own crops. For cotton production alone, bankers advance more than \$650,000,000 a year.

The banker has been especially concerned within the last two or three years over the evil effect of deflation on the American farmer. This evil exists, because deflation occurred in practically nothing else, so the ratio of crop values to commodity values has been consistently out of proportion. The farmer receives a dollar for a specified amount of his crop, but when he takes that dollar to the store he finds that it has shrunk in value to about 70 cents.

Politics No Savior

BUT the fundamental problem is the fact that the individual system under which agriculture has been conducted has always been such that the only profits earned by farmers have accrued from increased values of land.

The commodity ratio now hurts especially because land values have apparently reached their peak.

The percentage and volume of city business failures vary annually in accordance with the acre value of farm crops the preceding year.

Farmers know their own situation. They are angry about it and have sought remedies.

Some of them have turned to politics, deceived by the mouthings of selfish politicians whose lust for personal power blinds them so that they either cannot or will not see the inevitable reactions of economic law. But while political action, as an easy method which would place the burden on the Government and relieve the individual, has caught many farmers, most of them are coming to see that there is no political remedy for an economic evil, that the farmers themselves are to blame.

Agriculture is the only American industry in which both production and marketing have been individual processes. For generations the farmer has been told that price is dependent on supply and demand, and that there is no remedy for low prices except de-

creased production. Farmers could not decrease production without disorganizing their entire farming system and so they turned to politics for relief.

Nowadays, however, we have learned that the actual price depends largely on time of sale and on whether the sale is at the point of production or at the point of consumption.

Out of that new knowledge has come a movement so great that it has already become the most important development in the agricultural history of this country. It is a movement which today engages the attention of one-sixth of the farmers of the United States.

Experts Are Hired

MORE than 90 per cent of the dried fruits, 75 per cent of the citrus fruits, 70 per cent of the tobacco, 65 per cent of the nuts, 25 per cent of the milk and milk products and 20 per cent of the cotton grown in the United States are being marketed by farmers' cooperative associations. There are 1,200,000 farmers who belong to these commodity organizations. They have learned that their success lies through the substitution of the principles of merchandising for that of dumping.

The world's consumption of American crops is approximately in even ratio month by month. The monthly usage of cotton, for example, varies from 7.9 per cent in November to 8.9 per cent in March, consumption of every other month in the year being between these two figures. Yet 70 per cent of the cotton crop is dumped by farmers during the months of September, October, November and December. About 65 per cent of the wheat is marketed in August, September, October and November.

Control of the movement of farm crops is the one fundamental aim of the modern cooperative marketing association.

Expert management is vital to its success. These modern commodity organizations have found that they can go into the open markets and hire experts to work for them instead of against them, paying these experts just as high salaries as they get in private business.

The principles of organizing by commodity and employment of experts are two of the five fundamentals of the marketing movement. The other three are: Growers only as members, so that there will be no divided interests; an iron-clad contract under which members must deliver all their product for a term of years, so the association may have an assurance of a specific volume of business and an internal pooling

arrangement whereby every member gets the same price for the same quality and grade of product, regardless of the time of delivery or of sale.

Seven supreme courts have passed favorably on the legality of these principles, and they are specifically authorized by the statutes of 29 States.

Reserve Fund

THESE cooperatives have no cash capital other than accumulated reserves, and in this point lies their only fundamental difference from the ordinary city corporation formed for a similar purpose.

Here we get a sheer principle of business economics, which is that corporations formed to both buy and sell or which need physical properties must have capital in the form of money with which to buy or build. A corporation formed for selling needs only something to sell.

Those cooperatives who need physical properties for the handling, processing and storage usually own their properties through subsidiary corporations with capital stock. Practically all the cooperatives have created reserve funds.

When a member's product is delivered, an advance on the final sales price is made, usually amounting in non-perishables to from 50 to 60 per cent of the market price at time of delivery. This money is obtained by loans, using the commodity as collateral. In some cases an entire year passes before final settlement is made.

The term "orderly marketing" means the sale of the product as that product is actually consumed. In practice, it is frequently subject to price fluctuations. The cooperatives sell when selling is good.

The fact that the cooperatives borrow money brings them into the closest contact with all bankers. The cash requirements of the cotton associations alone during the present marketing year will be more than \$150,000,000 and the needs of all the commodity cooperatives will probably be in excess of \$700,000,000.

The cooperatives recognize that the country bank is a permanently necessary credit institution and therefore they prefer to deal with it first.

A New Customer

THE disturbed European situation has thrown on American institutions and capital the burden of carrying the crop from harvest until consumption.

The fact that the cooperatives are taking over a certain percentage of the processes

of distribution heretofore handled by private concerns merely furnishes a new bank customer in place of an old one.

It was natural that bankers generally should have looked on the new system with suspicion. City bankers were the first to approve it because they saw an opportunity thereby to raise agriculture to the prosperous level of industry.

The associations have demonstrated that gradual payments to the grower stabilizes bank deposits, removes the peak load of both deposits and loans, and puts the bank itself on a fundamentally permanent basis for doing business.

It also helps put the farmer on a cash basis and thus alleviates the evils surrounding indiscriminate production credit. It educates farmer depositors, making them better bank customers.

Higher prices increase the amount of deposits in banks. The cooperatives give fuller protection to the bankers' interests in the matter of mortgages and crop liens.

Finally, the cooperatives actually increase the volume of commodity trade in proportion to their degree of success. This means more business and increased values, and a higher level of prosperity for the whole consuming public.

There are more than 200,000 members of the cotton associations in the South. Every member who marketed his crop last year through a cotton association received at least \$20 a bale, or an average of \$200 per farm family, more than the non-member got. This means a minimum of \$40,000,000 of excess original buying power in the cotton South. Except for California and Kentucky the cotton South this year has been the most prosperous agricultural section in the United States.

Banks and Farmers Cooperate

IF American prosperity is to be restored to a permanently stable basis, the purchasing ratio of farm crops must come up or commodity prices must come down. This question may not be so difficult to solve when you consider the known effect of commodity cooperative marketing.

Wheat is but 3 per cent organized for marketing and wheat has but 70 per cent of its pre-war buying power.

Cotton is 20 per cent organized for marketing and cotton has 135 per cent of its pre-war buying power.

Tobacco is 70 per cent organized and tobacco has 212 per cent of its pre-war buying power.

So far as members are concerned, the cooperatives have eliminated speculation, waste, inefficiency, and graft in country markets. They have standardized the product. These things are of intense interest to every banker.

To speak in the language of dollars and cents, they mean that the profits from agriculture are being kept at home instead of being concentrated in the hands of a few.

But the whole cooperative movement means more than dollars and cents. It means a new and higher standard of living on American farms.

These things also mean fewer fool notions about the Government in the mind of the farmer and a constantly increasing knowl-

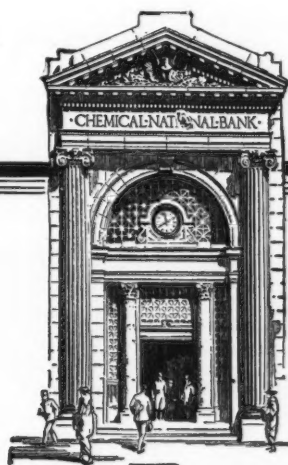
edge of public problems and of the way in which they must be solved.

Cooperating farmers as a rule are not radical farmers or believers in Government ownership. They are fully convinced that governmental price-fixing opens the way to an indefinite number of other subsidies; that it is against the fundamental interests of the farmers themselves because it tends to overproduction; in the long run it fattens the pocket of the speculator and not the farmer, it increases the burden on the public treas-

ury, it means higher taxes and their consequences and it adds to the general cost of living.

There are 5,247 State banks in the territory in which cotton is grown, and 3,000 are cooperating with the American Cotton Growers Exchange in handling mortgaged crops.

This cooperation not only results in more prosperous banking, but in a mental relationship between banker and customer that is eminently satisfactory to both.



STATEMENT OF CONDITION

At the close of business, September 14, 1923

ASSETS	
Loans and Discounts	\$ 88,840,874.63
U. S. Bonds and Certificates	18,379,606.25
Other Bonds and Investments	7,702,969.57
Banking House	1,500,000.00
Customers' Liability Account of Acceptances	4,295,703.55
Cash, due from Banks and U. S. Treasurer	28,406,334.31
Interest earned	469,467.51
	\$149,594,955.82
LIABILITIES	
Capital Stock	\$4,500,000.00
Surplus	13,500,000.00
Undivided Profits	3,050,507.26
Reserved; Taxes, etc.	873,673.94
	\$21,924,181.20
Unearned Interest	588,151.09
Circulation	343,397.50
Acceptances	4,823,824.66
Due to Federal Reserve Bank	5,000,000.00
Other Liabilities	2,409,777.44
Deposits, viz.:—	
Individuals	\$85,061,417.71
Banks	29,264,206.22
United States	180,000.00
	114,505,623.93
	\$149,594,955.82

Seeking New Business on Our Record

THE CHEMICAL NATIONAL BANK OF NEW YORK

Founded 1824

BROADWAY AND CHAMBERS, FACING CITY HALL

State Secretaries Section

FIRE insurance, systematized burglary of banking institutions, simplified income tax forms, educational and publicity programs and ethics were the subjects discussed at the State Secretaries Convention of the American Bankers Association.

In making its annual report to the executive council at the spring meeting the committee recommended that the terms of service of competent members be not limited to three years at most, and also that the constitution and by-laws be so amended that the personnel of the insurance committee be not confined to members of the executive council, but that the president may, in his discretion, appoint such bankers as he feels are best qualified to serve on the insurance committee.

Mr. Richards also led the discussion in regard to protective matters. After Mr. Wait had made his report for the committee in charge of the matter, it was thrown open to general comment. According to Mr. Richards, the crooks have made a new departure in Minnesota.

"They have not only burned through a solid manganese safe, but they have beaten the electric alarm equipment. The alarm worked as it was intended, but as there were a sufficient number of them (there were five in the gang), they let it ring.

"We always thought there was some psychology about the electric alarm. We thought that when a man went in to rob a bank he was in such a nervous state that he couldn't stand to hear it ring. Up to the present time they have not been able to do so. These fellows have set a pace, and I believe, gentlemen, we will have to change our ideas very considerably. Our members can no longer think they have ab-

solute protection, either in steel or in alarm equipment, and, you know, I am quite concerned about it."

"Was that an acetylene torch?" he was asked.

"Yes. They are becoming very expert in

because there will be only one thing left to our members and that is to protect themselves by burglary insurance."

"How large a safe was this? A safe of any size?" asked Mr. Roach.

"No, I think it was a small safe, but a Class A safe."

"How long did it take them?"

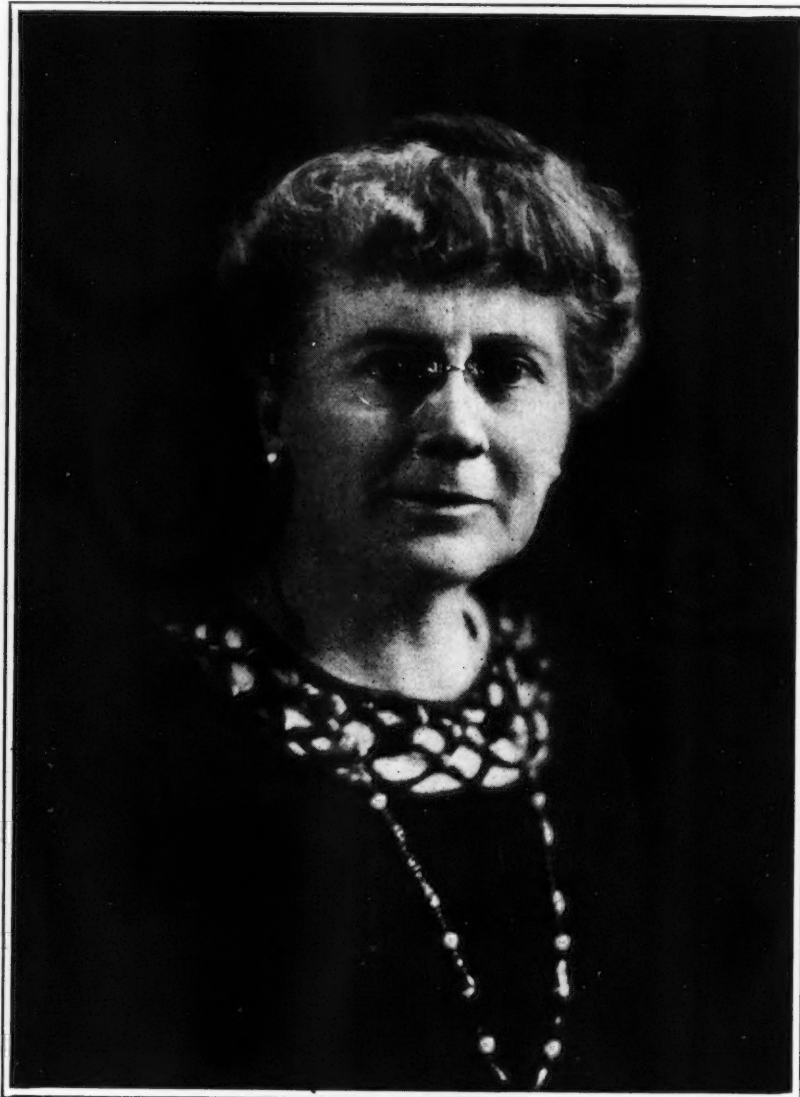
"They had time to burn a hole and put their arm through. The plan is to put in a small hole, and fill the safe with water, and then burn as large a hole as wished."

Mr. W. C. Macfadden of North Dakota related the experiences of that part of the country with bank burglars.

"We have been doing something in our State this year," he said, "that I didn't intend to say anything about just yet. I wanted to carry it on a little further. The burglary situation in our State is confined to four or five months in the year. We don't have attacks in the winter time because those fellows are working out or hiding out, but we do have a good many attacks on general merchandise stores, hardware stores, dental offices, etc. I have interested them positively, and some one or two other organizations of the same character are thinking seriously on the subject. We have a man now. He is working for all our associations. We are creating a fund that way by these other organizations contributing as well as the bank-

ers, and we have been very successful."

These officers were elected: President, Mrs. Helen M. Brown of Michigan; first vice-president, W. F. Augustine of Virginia; second vice-president, E. P. Gum of Oklahoma; secretary-treasurer, M. A. Graettinger of Illinois. Board of control: Mrs. H. M. Brown, W. F. Augustine, C. F. Zimmerman, G. B. Power, Morris Goldwater.



MRS. H. M. BROWN

Secretary Michigan Bankers Association, Elected to the Presidency of the State Secretaries Association

the use of them. They are very readily obtained in any garage. They are constantly stealing those torches and operating against our banks. It is becoming an epidemic. If we have no protection in steels and if the alarm equipment has no terror for them, I am inclined to think your insurance committee has no business to stir up any controversy in regard to the rates,

Clearing House Section

Growth of Clearing House Examiner System to Present Membership of 333, Representing 6000 Institutions or 75 Per Cent of the Nation's Banks. Newark's Record. Ten Dollars as a Uniform Non-Protest Minimum. Numbers for Branches.

THE Clearing House Section is just rounding out its seventeenth year of service," President James Ringold declared in his annual address. "In that time it has made an enviable record for initiating and causing to be adopted many new ideas of great practical value to banks and clearing house associations, and has come to be recognized as one of the most valuable sections of the American Bankers Association. While the section has accomplished great things in the past, its possibilities for the future are, to my mind, still greater. New thoughts are developing daily in the business and economic world, and the clearing house associations have a better opportunity now than ever before to be of service in furthering the proper development of the financial thought of the country.

"The problems of each community are equally the problems of every bank in that community, and it is through the local clearing house that these problems are solved from time to time. As individual organizations, we should study the problems affecting the welfare of our own community, solve them in a cooperative spirit, and meet at our annual meetings as a body, prepared to solve the larger problems that affect the business of banking throughout the United States. The activities and usefulness of the section are increasing daily and its growth during the past year has been remarkable.

"President John R. Washburn in his annual address a year ago, said the interests of the association and its member banks can best be served by this section through adhering to the policy of concentrating upon two objectives, the establishment of additional clearing houses and the installation of the clearing house examiner system.

"During the past year your committee has endeavored to carry out this suggestion and our efforts have met with much success.

"At the New York convention a year ago, our section reported a membership of 310. During the past year 23 new clearing house associations have been organized, thereby increasing our membership to 333, with a number of our smaller cities still contemplating the organization of similar associa-

tions. These 333 clearing house associations represent approximately 6000 banking institutions of all classes, and include practically 75 per cent of the banking capital of this country.

"There is no line of work to which our section is more definitely committed than that which pertains to the clearing house examiner system. During the past year, three cities have adopted this system of

cities and the communities which they serve, I feel that our efforts would have been worth while, and I am looking forward to the day when there will not be a city or community of any size or importance without the clearing house system of examination.

"As bankers, it is our duty to take every precaution to protect not only the patrons of our institutions, but our stockholders as well. If there is any way in which we can assist in establishing an examination department in any clearing house association, we are ready to serve, and I speak for every officer of this section.

"We are more than eager to further the extension of this system in order to provide the necessary safeguards for the banking institutions of the country.

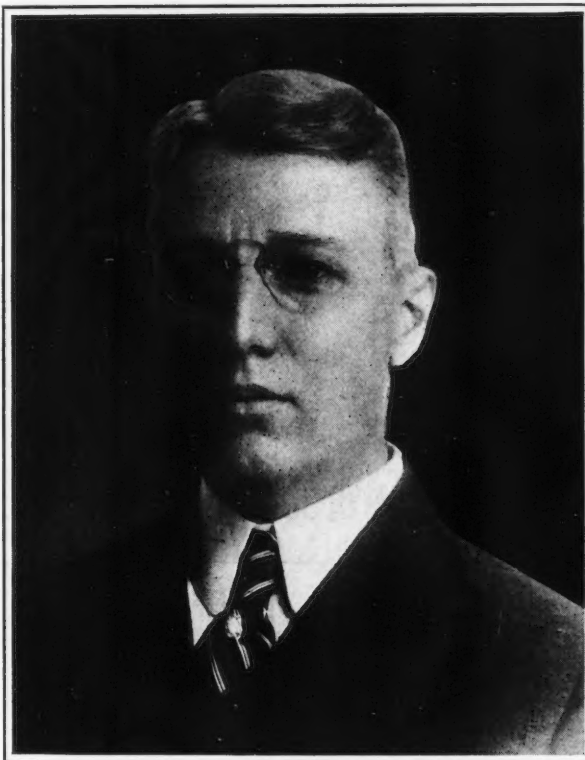
"When Newark, N. J., installed the clearing house examiner system, they established a record which has never been duplicated. In March, 1922, they organized their association. In November of last year a bureau of credits was instituted, for they felt the need of such, and on June 1, the examiner system was installed, which today is functioning as smoothly as it is in the other cities where it is in operation. A great deal of credit is due the clearing house committee of Newark in bringing about such a well-rounded clearing house association in so short a time.

"In Richmond, Va., a credit bureau has been established in connection with the local clearing house, and it is proving of great value to all the banks in that city. We believe it is but the forerunner to the installation of the examiner system.

"A great deal of effort has been put forth by our secretary in helping to further the development of bureaus of credits

not only in cities but in our country districts. In two mid-western States, plans are being formulated to bring about a county bureau of credits. With such credit bureaus established and in operation, it will be almost impossible for the dishonest borrower to take advantage of his banker. Such a credit bureau is not expensive for any clearing house association or county group of banks to maintain and will pay for itself many times over.

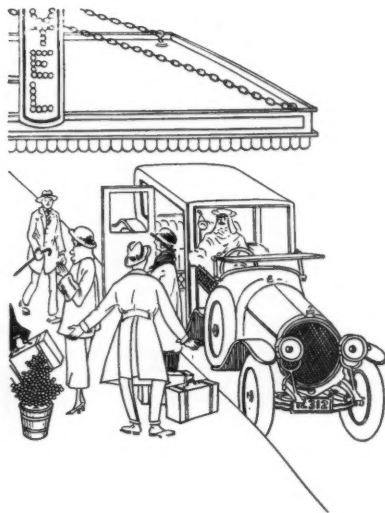
"Last year it was my privilege to appoint a committee on clearing house examinations.



FRANCIS COATES, JR.

Examiner Cleveland House Association, New President of Clearing House Section, American Bankers Association

examination in connection with their local clearing house associations, namely: Newark, N. J., Denver, Colo., and the Northern Anthracite Bankers Association, which includes Scranton, Pittston and Forest City, Pa. The clearing house committee of Omaha has just revised its articles of association, which now call for a clearing house examiner, and within the next few months such a system will become operative in that city. If nothing else has been accomplished by the section but the bringing about of such a safeguard for the banks in these four



Does Your Town Attract the Tourist?

Of the millions of tourists on the highways this season, how many did YOUR town entertain?

If you've a Modern Hotel your proportion was high and for each day a tourist was entertained your merchants are \$10 richer!

If, throughout the season you entertained but fifty per day, your merchants are some \$50,000 ahead!

It PAYS to cater to the tourist. Ask the town that has a good Hotel!

If you haven't a Modern Hotel, we can help you get one. Ask us to place your name on our list to receive each month, a copy of "The Hotel Financialist"—it's free to MEMBERS OF THE A. B. A.

The Hockenbury System Incorporated
Penn-Harris Trust Bldg., Harrisburg, Penna.

Wanted Salesmen With Banking Experience

We have a few openings on our sales force that mean real opportunity. Our line embodies various advertising specialties in leather, paper and novelties, a line appealing particularly to banks. Remunerations based entirely upon ability. Aggressive salesmen earning from 250.00 to 600.00 per month. For particulars, address sales manager.

THE BRODERICK COMPANY, ST. PAUL, MINNESOTA

A. O. Wilson of St. Louis, and a past president of this section, was made chairman. During the past year this committee has rendered invaluable service to the section in its efforts to bring about the clearing house examiner system in the cities without it, and at this time I want to thank Mr. Wilson and his committee for their untiring efforts during the past year.

"Plans are now under way to bring about a uniform no-protest minimum amount. From the survey made by our secretary it was found that approximately ninety per cent of the banks in the country are using the \$10 amount, and with the cooperation of the Federal Reserve Board, it is our intention soon to recommend to all bankers of the country the use of this amount.

"The Numerical Committee, which has served not only the section but the membership of this association so well in the past, has recommended during the year the use of separate numerical numbers to be used by branch banks. Much confusion has arisen recently due to the fact that branch banking has been expanding so rapidly, and in order to eliminate this confusion, it was decided to enlarge the scope of the numerical system.

"During the early part of the year, the Japanese Financial Commission investigated the merits of the clearing house idea, and the examiner system, and I firmly believe that if it had not been for the appalling disaster which befell that nation the early part of this month, the examiner system would have become operative there in a very short time.

At the conclusion of the president's address, he appointed the following committees: nominations, A. O. Wilson, chairman; Harry V. Haines, Washington, D. C.; C. Howard Marfield, New York; resolutions, O. Howard Wolf, chairman, Philadelphia; F. L. Hilton, New York; R. B. Locke, Detroit.

The next speakers were George E. Roberts, vice-president of the National City Bank of New York City; Melvin Traylor, president of the First Trust and Savings Bank and a vice-president and director of the First National Bank of Chicago and Seymour L. Cromwell, president of the New York Stock Exchange, whose addresses are printed elsewhere in this issue. President Cromwell's militant defense of the Exchange brought members to their feet, applauding.

A. O. Wilson, chairman of the Committee on Clearing House Examinations and Jerome Thralls, chairman of the Acceptance Committee, then reported.

Mr. Wilson's committee submitted the following nominations which were accepted.

President—Francis Coates, Jr., examiner, Cleveland Clearing House Association.

Vice-president—C. W. Allendoerfer, vice-president, First National Bank, Kansas City, Mo.

Chairman of Executive Committee—Alexander Dunbar, vice-president, Bank of Pittsburgh, Pittsburgh, Pa.

Executive Committee (three-year term)—Fred A. Crandall, vice-president, National City Bank, Chicago, Ill., and W. F. Augustine, vice-president, Merchants National Bank, Richmond, Va.

National Banks

(Continued from page 250)

"That was in 1873. A few months ago I stood in Duluth. They asked me to have my picture taken alongside of that great bronze statue of Jay Cook. I recalled later speaking that night how I had stood on the floor of Congress and heard Proctor Knott say that no good would ever come out of the territory which now constitutes the States of Wisconsin, Minnesota, the two Dakotas, Montana, Idaho, Washington and Oregon. And I heard again the echo of that laughter when he proved that nobody could ever put on any real map the word 'Duluth.' Today it is the greatest iron port in the world.

"Miracles have happened since then. I am older, perhaps, a little wiser, but with that age and wisdom has come a stronger faith in that God who made each a sovereign of divine right. Sixty years takes me back to the time when we had bitterness between sections, when we had class antagonism more bitter than now. Even in '77 I saw \$5,000,000 go up in flames in Pittsburgh in three days, and 200 persons were killed in one state in labor trouble. We don't have such things now. We are getting better. We are a real nation, and in the great war we found our soul.

Committees Appointed

"THE multiplied avenues of productive wealth born of our \$5,000,000 investment each day in education, which has made it possible in this very state to change lands which my father and I refused to buy forty-five years ago because they only produced \$15 per acre, to land which last year produced \$3,500 per acre.

"New wealth facilities, new means of communication, better understanding of each other, clearer recognition that credit is merely character rendered fluid and character flows from God and not from man."

The Committee on Resolutions recommended that the National Bank Division urge Congress to amend the National Banking Act to permit national banks to own stock in safety deposit companies in states where state banks are permitted to do so.

Resolutions

WHEREAS, In certain States, State Banks and Trust Companies are permitted to own stock in Safe Deposit Companies and,

WHEREAS, If the National Banks doing business in these States are to be in an equal basis in competition with the State Banks and Trust Companies of such States, it is very vital to the National banks that they also be permitted to own stock in Safe Deposit Companies.

THEREFORE, BE IT RESOLVED, That the National Bank Division of the American Bankers Association respectfully urge upon Congress an amendment to the National Bank Act permitting National banks to own stock in Safe Deposit Companies in those States which permit State banks and Trust companies to own such stock.

BE IT FURTHER RESOLVED, That a copy of these resolutions be forwarded to the Governor of the Federal Reserve Board, the Comptroller of the Currency, and the Chairman of the Committee on Banking and Currency in the United States Senate and House of Representatives.

WHEREAS, The Federal Reserve System has repeatedly demonstrated its effectiveness in the mobilization of banking and credit resources and in the stabilization of finance, and

WHEREAS, We recognize the value of constructive criticism, though we view with alarm the unwarranted assaults made upon it, now therefore

BE IT RESOLVED, That the National Bank Division of the American Bankers Association reaffirms its confidence in the Federal Reserve System and pledges its aid in the struggle to repel the attacks of those who, through lack of understanding or a perverted sense of public duty seek to destroy its effectiveness.

BE IT RESOLVED, That we tender our hearty thanks to the speakers and to all others who have so cheerfully and so ably contributed to the enjoyment and the success of this meeting, and that we make public acknowledgment of our appreciation of their services.

BE IT FURTHER RESOLVED, That the Division give formal expression to its feeling of gratitude to the Retiring President, Waldo Newcomer, and to his associates for their constructive service to the National Bank Division, and for their tireless and valued efforts in the promotion of the welfare of the members thereof.

"Mercantile Service"



Departments: Banking Bond Corporation Real Estate Loan
Real Estate Public Relations Safe Deposit Savings Trust

Prompt

St. Louis business of banks, trust companies and individuals, when entrusted to us, will receive prompt, careful attention. Our thorough knowledge of St. Louis conditions enables us to render exceptional services of this character.

Mercantile Trust Company

Member Federal
Reserve System



Capital & Surplus
Ten Million Dollars

EIGHTH AND LOCUST

-TO ST. CHARLES

SAINT LOUIS

The following officers were elected:

President, Thomas R. Preston, president Hamilton National Bank, Chattanooga, Tenn.; Vice-President, Edgar L. Mattson, vice-president Midland National Bank, Minneapolis, Minn.; Chairman Executive Committee, W. C. Wilkinson, president Merchants & Farmers National Bank, Charlotte, N. C.; Executive Committee, Federal Reserve District No. 1, Elmer A. Onthank, president Safety Fund National Bank, Fitchburg, Mass.; Federal Reserve District No. 8, William H. Powell, president Citizens National Bank, Sedalia, Mo.; Federal Reserve District No. 9, John W. Barton, vice-president Metropolitan National Bank, Minneapolis, Minn.; Federal Reserve District No. 11, F. M. Law, vice-president First National Bank, Houston, Tex.

Newspaper Advertising as a Business Builder

By W. R. MOREHOUSE

Vice-President, Security Trust and Savings Bank, Los Angeles

Proper Preparation of Advertising Copy and Publicity. How to Make It Pay. Message Must Be Simple, Short, Attractive and Helpful. Size, Frequency and Position Important. Inexpensive Ad Service Copy Offered. Simplifies Work for Bank.

BANKS can use newspaper advertising with great success.

That same power which convinces the people of the need for the development of large enterprises may be used for a better understanding of bank services.

Newspapers go into the homes and the people of a whole community may be reached in a single day.

Because a bank cannot directly trace a large volume of new business to newspaper advertising does not prove that the medium is ineffective. Because you do not see readers studying your advertisements is not sufficient evidence that the advertisements are not read. The fact that there are certain kinds of newspaper advertising which do not produce good results ought not to brand the medium as ineffective.

A banker had erected on the roof of his building an electric sign. At first this sign proved a great disappointment. The color effect was poor and the letters illegible. Motorists who rode by his bank evening after evening were unable to read the sign. This convinced him that electric signs for banks were not a success. He was about to order the sign removed when it was suggested to him that a flasher be attached, the color effect changed, and the tip of the light globes capped. He agreed to this change rather reluctantly. For more than a year now this electric sign has been in constant service. Night after night, from its commanding location, it has flashed its message to thousands. Not only is the color effect pleasing to the eye, but the message is easily read blocks away. If you should question this same banker today on electric signs for banks, he would recommend them to you in the highest terms.

Copy Must Be Simple

NEWSPAPER advertising must be attractive and easily read if it is to produce. If the subject presented is not to the point, is too deeply involved for the average mind to grasp readily, or is too full of big and uncommon words, it is only natural it will not be read. If bank advertising accomplishes its purpose it must be very simple. People will not read "over their heads." The average person can only understand that which is as plain as one's A B C's. He will not refer to a dictionary for the definition of unfamiliar words.

Note the popularity of motion pictures

with the masses. When you view a motion picture your brain does not have to labor, nor do you have to pull on your imagination very hard. Millions flock to see motion pictures because the hard work has all been done before the pictures are projected upon the screen. Newspaper advertising will be read and it will pay your bank to use it, if it is served to the public pre-digested.

How to Make It Pay

DISCUSS only the subjects which will make it easy for the public to patronize your bank. Advertise your bank, its financial stability, its officers, directors, and stockholders, and you will build prestige and confidence. Enumerate the services your bank can render. It has been my experience that the public is on the lookout for information about banks, banking methods, and the kinds of service rendered by banks.

For example, take the person who feels that he should open a savings account. He reads your advertisement headed "Interest from Date." The terms upon which a savings account may be opened are explained and the rate of interest is given. Such an advertisement immediately will excite his interest and promote action and he is prompted to call and open an account.

Take another example. You have money to lend on real estate. You publish an advertisement under the caption, "Money to Lend." In the advertisement you state your terms and invite applications for loans. This ad. is read by the person who is in need of additional funds, and because it supplies him with reliable information as to where he may get the money and upon what terms, he naturally applies to your bank.

A widow has in her possession valuable keepsakes. She is living in constant fear that they will be stolen from her. She picks up the newspaper and reads your advertisement headed, "Protection for Your Valuables." Your suggestion prompts her to rent a box.

You publish an advertisement under the caption "Concerning Investments." It is read by individual investors, and they call for advice. Another ad. is headed "Small Accounts Are Welcome." Persons of small means read it and are convinced that their business, although small, will be acceptable to your bank.

Catching Readers' Interests

I BELIEVE in sticking to subjects which have a direct bearing on banks, banking methods and service. You do not find manufacturers of clothing advertising farm implements, nor telling you how many ships pass through the Panama Canal monthly. They are too busy sticking on the job and telling the public about the merits of their particular brand of clothing to devote advertising space to subjects which do not directly bear upon their products. I do not know of any good reason why bank advertising should not be almost entirely confined to the banking field, at least until the public has become better informed about banks and the wide variety of services rendered by them.

If you have not been successful with newspaper advertising I wish that you would try this plan. Confine your advertising within the scope of banking and especially enumerate the various services which your bank is prepared to offer. Boil down every advertisement to one hundred words or less, preferably less. Use headings which arouse interest at a glance. For example, a heading "Interest from Date" will bring action from persons with idle funds because interest starts from the time savings accounts are opened. A heading "Money to Lend" will interest persons in need of additional capital. "Protection for Your Valuables" will catch the persons in need of protection.

Give special attention to the location of your advertisements in the newspaper, securing, if possible, space in the upper left hand or upper right hand corner next to reading matter.

I recommend you use a two-column by five-inch advertisement twice a week in preference to one double that size once a week. Use illustrations where space permits. The cost of drawings and cuts is not too high for your appropriations. Use an attractive and distinctive border and plenty of white space; let me repeat, plenty of white space. Use clean-cut type of good size so your advertisement will be easy to read. Ninety per cent of the people have defective eyesight.

How to Get Publicity

IF you get maximum results out of newspaper advertising, you must know the facts about each paper. Analyze the cli-

entle of each paper. Avoid all "one time" publications and all special editions where you advertise in the regular edition. It is well to remember that readers and press-runs do not represent a bonafide circulation. I know of a paper which claimed 50,000 readers. Its press-run was only 1100 copies and its bonafide circulation about 400. It is necessary for you to know the proportionate percentages of city, suburban and country circulation, and similarly the relation of street sales to home circulation. You should be informed yourself as to circulation as between farmers, industrial workers, professional men, etc.

Supplement your newspaper advertising with news items about the bank, for publicity is gained through news matter which indirectly advertises the bank. It is well to remember that every bank depositor reads items concerning banks. Of those who have no banking connection, many will read news items of this kind because they recognize the fact that their own welfare is affected by financial conditions. Every news item has behind it the prestige of the newspaper as well as the bank. News items invariably get good location in the newspaper.

Cultivate the acquaintance of the editor—don't quarrel with him. Too many bankers quarrel with editors. In fairness to all concerned, publish only news items of general interest to the public and exclude every earmark of advertising. If the item is of sufficient importance to justify its appearance in several papers, write it from different angles so that each paper will have a different story although dealing with the same subject. Invite the editor to revise your copy and never insist on items being published as written by you. The most popular length of news items is from 300 to 400 words—about five inches of type.

It is my privilege, as chairman of the committee on bank facilities, to invite attention to a consideration of the American

Bankers Association Savings Division Newspaper Advertising Service.

This service consists of one advertisement a week for a year—sixty ads. in all—eight more than required. With the advertisements are furnished four borders. A. B. A. members are invited to use this service for \$10 a year. This is at the rate of less than twenty cents a week. If your bank had produced the same series of advertisements it would have cost not less than \$400. The sixty advertisements are bound in book form and perforated so that each can be detached.

The most efficient way to use this service is to deposit with your newspaper the four border cuts and your trade-mark or signature cut, notifying the paper to send for copy on a certain day each week, or you can mail it to them.

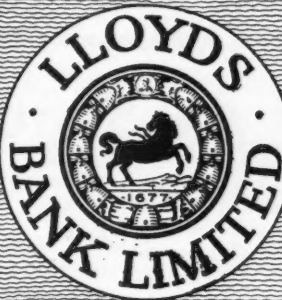
If you wish to revise the copy, that can be done very easily. Where you are advertising regularly in several papers, you can run your ad. in one paper and instruct the others to copy, or you can get additional sets of these advertisements.

In all cases where more than one bank in the same city orders the service, the first bank to order will be supplied at once. This is necessary to prevent a duplication of the service in the same locality.

Anticipating that there will be many such cases, we have under consideration several series of advertisements, in which event the first bank to order would receive series A, second bank series B, and so on. The advertisements and borders would be entirely different in each series, excepting as to size. If orders justify, work will start on the new series at once.

Indications are the service will be popular. If it means anything to you to be able to purchase a standard newspaper service for so little expense, get behind the movement.

It may be that a few agencies selling a similar service will criticize us. It is not our aim to interfere with their business. We believe stimulation of this service will help newspaper advertising generally.



Head Office:
LOMBARD ST., E.C. 3.

CAPITAL:	(\$5=£1.)
SUBSCRIBED	\$359,323,900
PAID UP	\$71,864,780
RESERVE FUND	\$50,000,000
DEPOSITS, &c.	\$1,659,767,335
ADVANCES, &c.	\$616,943,395

1,600 Offices in England & Wales,
 Colonial & Foreign Department:
 20, King William Street, E.C. 4.

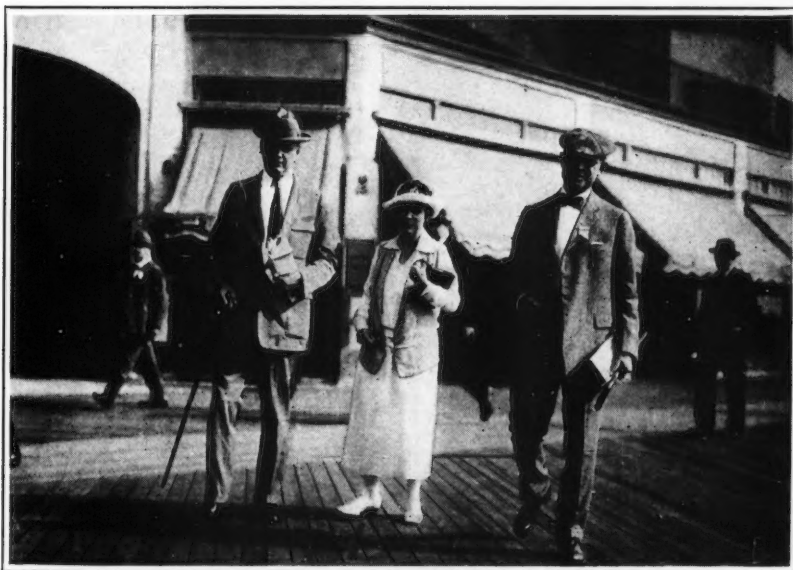
The Agency of Foreign & Colonial
 Banks is undertaken.

Affiliated Banks:
 THE NATIONAL BANK OF SCOTLAND
 LIMITED,
 THE LONDON & RIVER PLATE BANK,
 LIMITED.

Auxiliary:
 LLOYDS AND NATIONAL PROVINCIAL
 FOREIGN BANK LTD.

Warnings

Read the Protective Section
 of the Journal for Warnings
 Which May Prevent Losses to
 Banks.



On the Boardwalk at the Convention: Lucius Teter, President Chicago Trust Co., Mrs. Willard F. Hopkins, Willard F. Hopkins, Secretary of same bank

\$3 Brings you a Genuine
DOWN **UNDERWOOD**
 TYPEWRITER

10 DAYS FREE TRIAL Your \$3.00 unconditionally returned if at end of 10 days you are not satisfied with this late model UNDERWOOD typewriter rebuilt by the famous Shipman Ward process.

GREAT PRICE SAVING Direct to you from the largest typewriter factory of its kind in the world by our money saving methods.

EASY MONTHLY PAYMENTS So small that notice it while you enjoy the use of this wonderful machine.

FREE BOOK OF FACTS Explaining Shipman Ward's wonderful system of rebuilding typewriters and also valuable information about the typewriter industry both instructive and entertaining.

Act Today!
Mail
Coupon



5
Year
Guarantee

Shipman Ward
Mfg. Company
3147 Shipman Building
Montrose & Ravenswood
Aves., Chicago

Please send me a copy of your free book of facts, explaining bargain offer.

Name.....
 St. and No.....
 City..... State.....

You "CONQUERORS"

who haven't taken a vacation in years

ARE you one of the "CONQUERORS" of Business and Finance who haven't had a vacation in years?

If so, this is *your* opportunity—the opportunity to recover all those lost vacations in one—in one glorious holiday.

Go 'Round the World

Make your Dreams—visions of vacations—come true.

The new Cunarder **FRANCONIA**, management of the American Express Travel Department, sails from New York November 15, or from San Francisco December 4, 1923. Returns to New York March 27th. 30,000 Wonder Miles—133 Wonderful Days.

This American Express Cruise of the **FRANCONIA** offers the best in travel in every way on land and sea—the most interesting and varied itinerary—leisurely covered; the newest and most perfect Cruising Ship ever built; Cunard sea-management and cuisine; all the luxuries and appointments of the modern club, with its living comforts—recreation and sports.

Under the experienced management of the American Express Travel Department, with its branch offices around the world, this Cruise assures its party rare facilities for visiting the most desirable places. More than 25 ports of call.

Havana, Panama Canal, San Francisco, Hilo, Honolulu, Japan (13 days—Yokohama, Kamakura, Tokyo, Kobe, Kyoto, Nikko, Inland Sea, Miyajima), Shanghai, Hongkong, Manila, Batavia, Singapore, Rangoon, Calcutta, Colombo, Bombay, Port Tewfik, Cairo, Naples, Monaco, Gibraltar—and home.

Reservations should be made now. Party will be limited to a number far below the **FRANCONIA'S** comfortable capacity.

For full information, booklet of the cruise, deck plans and prices—call or phone any office of the American Express, or mail attached coupon to

AMERICAN EXPRESS

Travel Department

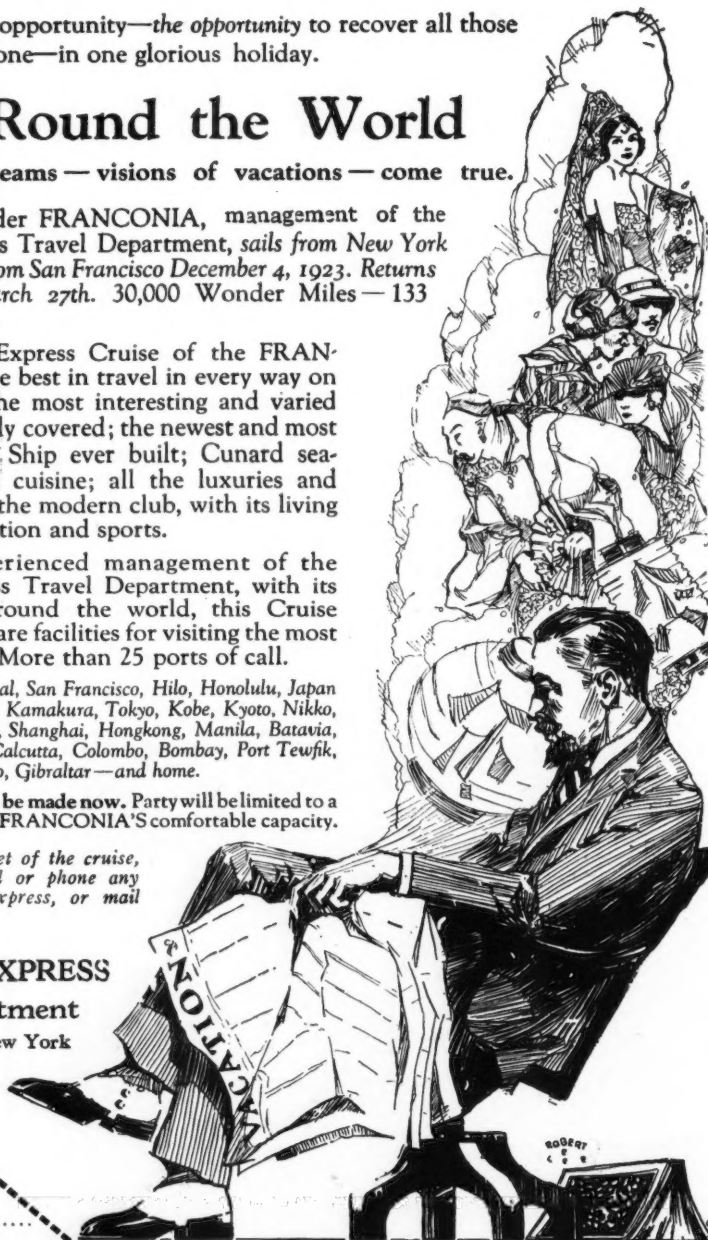
65 Broadway, New York

Please
send me
full details
of the
FRANCONIA
World Cruise

Name

Address

J. A. B. A.



Trust Companies

(Continued from page 244)

down friction between the bar and trust companies and teaching the companies to cooperate with the bar and avoid making policy mistakes.

A. V. Morton of Philadelphia, reporting for the committee on standardization of charges, said the value of the work was shown by the great number of inquiries for special data being received by the secretary.

Only 7 per cent of the banks and trust companies operate an active personnel department, said P. S. Kingsbury, reporting for the committee on staff relations. A series of papers has been prepared by the committee on strategic points of information concerning handling of employees.

L. H. Roseberry of Los Angeles said the committee on research, in its first questionnaire, discovered that, with one exception, not a single instance was found in thirty-four States where a beneficiary had lost a cent through the administration of a trust by a corporate trustee.

Another survey brought out that American trust companies place the safety and quality of their services above the financial remuneration they receive.

The report urged pooling of trust company information for a general reservoir, accessible to the whole membership of the association.

Trust Company Resources

HENRY L. SERVOS, vice-president of the United States Mortgage and Trust Co., reported that the total resources of trust companies of the country, as compiled by his organization, are \$14,441,000,000, an increase of \$1,701,000,000 over a year ago. Comparison of figures show the average trust company has twice the resources of the average national bank, he said.

The first regional conference will be held in San Francisco in November, Frank W. Blair reported.

Thomas C. Hennings, chairman of the committee on insurance trusts, said 90 per cent of the proceeds of insurance policies are dissipated. The insurance agent is the most valuable individual for the development of this relation, he thinks.

William P. Giblin, president of the Lincoln Safe Deposit Co., New York City, suggested local associations of safe deposit men. He discussed the importance of records on keys to safes and their relation to claims for losses.

On motion of Mr. C. L. Schenck of Brooklyn a committee on relations with the Federal Reserve system was decided on, although one member feared it would cause only trouble.

The United States exported twelve billion cigarettes in the fiscal year just ended, says the Trade Record of the National City Bank of New York. Nine billion went to the Orient which produces half the tobacco of the world and has ample labor to finish its own products. The Oriental imports are due to the habit of smoking American cigarettes, contracted during the war. Europe, which took eight billion in the year following the war, bought less than one-quarter of a billion in 1923.

GUILTY!



The five important questions discussed in this free booklet will enable you to decide whether or not you are guilty of wasting time, energy and money by antiquated methods.

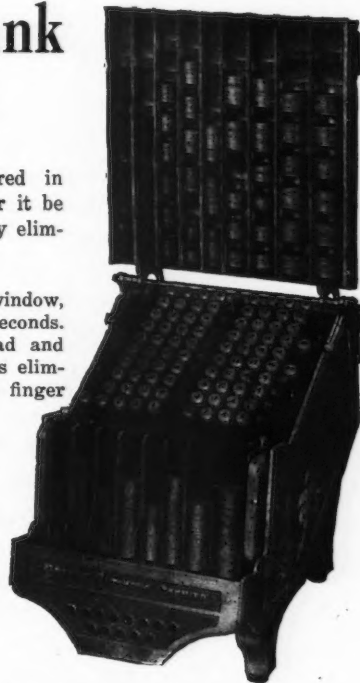
The Booklet, entitled: "Five Questions Every Banker Should Answer," was compiled especially for bankers, out of our many years' experience in supplying over 26,000 satisfied, enthusiastic users with Brandt Automatic Cashiers.

Time in a Bank is Money

Your profits are actually figured in hours, days and months—whether it be interest on loans or time saved by eliminating needless labor.

With a Brandt at your Teller's window, your service is measured by seconds. The cumbersome, unreliable, head and hand method of making change is eliminated. Press one key with one finger and the Brandt automatically counts, selects and pays instantly the required combination of coins. It never makes errors—it is "fool proof."

Have your secretary mail the coupon today for our interesting free booklet.



The New Improved
Brandt Automatic Cashier
Standardized by Bankers Everywhere

Open the Door



To Bigger
Profits

BRANDT MANUFACTURING CO.

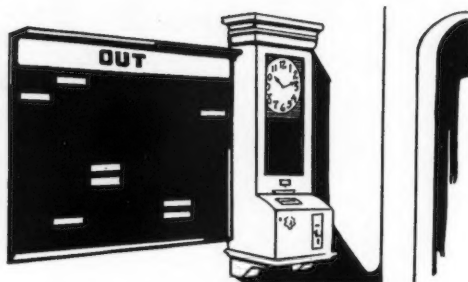
Executive Offices and Factory,
102 W. Main St., Watertown, Wis.

Send me copy of Book: "Five Questions Every Banker Should Answer."

Name

Bank

Address



“ABSENT”!

*“The Viewpoint of the Employee is
the Most Neglected Asset in Industry.”*

AFTER the morning whistle blows at a client's plant, every card in this rack means a missing producer—perhaps the operator of an important machine that must stand in expensive idleness all day. Each “out” card represents a loss in production and an attrition of your client's financial strength. Every morning, in every client's plant, the time-rack shows absenteeism in more or less malignant form. Why?

Nearly every case of absenteeism can be traced to some form of misunderstanding, ignorance or poor judgment on someone's part. Perhaps there are causes in a client's

plant unknown to you or your foremen. Perhaps he is not even fully aware of a situation that may menace his stability.

YET—every day, consciously or unwittingly, your client is paying toll to one of the controllable factors that are causing serious losses in every industry. Whatever the cause of unwarranted absenteeism, we can engage to correct it, with great profit to employee and employer; and add measurable security to industrial loans.

You will be interested in our booklet, “Stopping Payroll Losses,” which is sent executives gratis, on request. Please address Dept. G-5.

SHERMAN SERVICE, INCORPORATED

Industrial Co-ordination

Production Engineering

NEW YORK
2 Rector St.

CLEVELAND
Park Building

BOSTON
31 Milk St.

PHILADELPHIA
1015 Chestnut St. 208 S. La Salle St.

DETROIT
First Nat'l Bank Bldg. 314 N. Broadway

ST. LOUIS

MONTREAL
Drummond Bldg.

TORONTO
10 Adelaide St., E.

Largest organization of its kind in the world

A Burroughs soon pays for itself in a small bank

because—

- 1- The machine is a business builder—it insures better service to your customers.
- 2- It automatically extends the new balance with each posting on each customer's ledger and statement. *No pass books to balance.*
- 3- It can be used on so many different figuring jobs in any bank.

AND in any bank a Burroughs Automatic Bookkeeping Machine begins at once to pay for itself.

It posts ledgers and statements faster because more than 75% of this work is handled automatically. By automatically extending the new balance with each posting, the machine enables the bank to give the highest type of service to its customers. No errors can creep in. With customers' ledgers always in balance and no pass books to balance, customers' statements are always ready.

No bank is too small to save money with a Burroughs as thousands of banks have found. Quicker handling of routine means payroll saving, more time to wait on customers—and bigger bank profits!

The Burroughs Automatic Bookkeeping Machine also saves time and labor in posting and proving the Liability Ledger, Savings Ledger, Certificate of Deposit Ledger, General Ledger and on miscellaneous figuring.

Ask your Burroughs salesman about the many ways a Burroughs Automatic Bookkeeping Machine will save time and money for you.



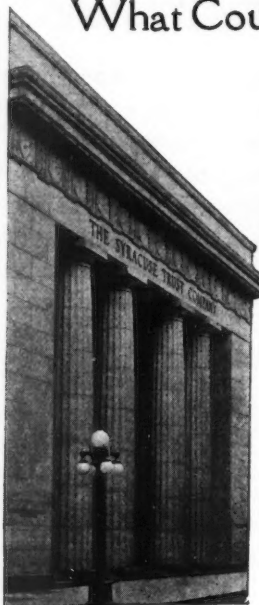
Burroughs

ADDING • BOOKKEEPING • BILLING • CALCULATING MACHINES

**Better
Figures
make
Bigger
Profits**

Granite - The Noblest of Building Stone

If You Were to Sell Your Bank What Could You Deliver?



Syracuse Trust Co.,
Syracuse, N. Y.

So many dollars in currency and securities, but how much in good will?

Good will depends on public opinion. Public opinion is based on your acts and words. And what the public sees of you and your bank.

Does your building bespeak your integrity and stability?

Is it symbolic of the characteristics that have made your bank a success?

In granite it would tell just these very things.

We would be glad at any time to confer with either you or your architect about the most economical ways to work with Granite.

National Building Granite Quarries Association, Inc.

H. H. Sherman, Secretary

31 State Street, Boston, Mass.

GRANITE

Banking Laws

(Continued from page 257)

Question six, "What are the requirements in the organization of different kinds of institutions? Amount of capital, amount paid up, etc?"

Eight States provide for a minimum capital of \$10,000 paid up; seven States, \$15,000 paid in; two States, \$20,000, and seven States, \$25,000. These requirements are for commercial or private banks. For loan and trust companies the requirements

are larger, one State only permitting as low capital as \$10,000; one, \$45,000; three States require \$50,000; two States, \$100,000, and a large number of States are based upon population. In Indiana we have a law with a minimum of \$10,000 for private banks, \$25,000 for State banks. Trust companies, minimum is \$25,000, based on population. Oregon has a minimum of \$15,000, except in the city of Portland, \$200,000 is the lowest limit.

In Mississippi, Arkansas, Ohio, Oklahoma, Georgia, Michigan, Pennsylvania and Ala-

bama the amount of capital is regulated by population. In Tennessee capital is authorized in the charter granted. Virginia is based on population, with \$15,000 minimum under 2000 population. Wisconsin, the lowest capital is \$10,000, based on population. Over 200,000 population must be \$200,000 paid in cash. Mississippi, \$10,000 minimum for commercial banks, if they are granted trust powers, \$15,000 additional. Maryland, State banks based on population, with a minimum of \$25,000; trust companies, \$100,000. Kansas, State and private banks, minimum capital \$10,000, based on population. Trust companies, not less than \$100,000. In Massachusetts minimum for trust companies is \$50,000 based on population. Minnesota is based on population, with a minimum for State banks of \$10,000 and for trust companies a minimum of \$50,000. New York, capital depends upon location and population. Texas, based on population, with a minimum of \$17,500. North Carolina, minimum capital \$15,000; one-half cash and balance five monthly installments. Colorado, banks' minimum, \$10,000; trust companies, \$50,000.

There seems to be an effort to base the amount of capital paid in upon population, and there is quite a variation in regard to payments. Most States require capital paid in cash, others permitting payments. In Indiana State banks are permitted to organize with one-half of capital paid in cash, balance in six months, minimum being \$25,000. Loan and trust companies, based on population, minimum being \$25,000 cash paid in.

I am of the impression that in the organization of banking institutions the amount of capital should be paid in in cash before commencing operations. As far as the minimum amount of capital authorized is concerned, it would be advisable to limit this to \$25,000.

Question seven, "Can officers and directors borrow from all banking institutions in your State and under what restrictions?" Five States permit officers and directors to borrow, with approved collateral or indorsement. Thirteen States have no restrictions except approval of the board. In Texas directors can borrow 25 per cent with approval and 10 per cent without. Officers cannot borrow without approval of board of directors; in Idaho, Arizona and Oregon officers and directors may borrow 20 per cent of capital and surplus; in Alabama, by approval of the board, 20 per cent of capital, surplus and undivided profits.

In South Dakota officers and directors with approval of the board and with collateral may borrow 20 per cent of capital and surplus, but this must be reported to the superintendent of banks. Stockholders in the aggregate can borrow 50 per cent of the capital. In Minnesota officers can borrow 10 per cent of capital and surplus, others, not officers or directors, 15 per cent of capital and surplus. Upon real estate loans can be made to the extent of 25 per cent of capital and surplus.

New Mexico, loans to officers and directors cannot exceed 10 per cent of capital and surplus. Florida, officers and directors, 10 per cent to 40 per cent. South Carolina, except cotton, limits loans to 10 per cent of capital and surplus; Idaho has

a limit of 20 per cent of capital and surplus and an aggregate not to exceed 50 per cent. In New York officers in a city of first class cannot borrow from banks and trust companies, but no restrictions upon directors. In Connecticut no officers can borrow. Directors can borrow 5 per cent if unsecured and an additional 5 per cent with collateral. In North Dakota limit is 15 per cent of capital, with approval of directors.

In Massachusetts there are no restrictions applying to trust companies, except of savings. The president and treasurer and investment board cannot borrow of savings institutions. Private banks, no restrictions. In Utah officers and directors can borrow if the security is double value of loan. Pennsylvania, the limit is 10 per cent of capital and surplus with an aggregate to all of 25 per cent. In Michigan the limit of loans to officers and directors, who control more than 50 per cent of the stock, is not to exceed 10 per cent of capital and surplus, and must be approved by a majority of the board. More than this must be authorized by two-thirds of the board and secured, or proper statement filed or with collateral.

In Nebraska and Oklahoma officers and directors cannot borrow from their own institutions. Colorado, no loans to officers or employees. Directors can borrow 10 per cent of capital; with approval of the board, 20 per cent.

The great variety of laws controlling loans to officers and directors is certainly confusing. In Indiana officers and directors can borrow not to exceed 30 per cent of capital in private banks. They cannot borrow at all in loan and trust companies and in State institutions are limited to 20 per cent of the capital, by ruling of commissioner only.

I believe that loans to officers and directors should be limited to a certain extent and not to exceed 20 per cent of capital and surplus; that the aggregate loans to all officers and directors should not exceed a certain per cent of the capital. The wisdom of this is apparent to every banker who is conservative.

Then question eight, "What is the limit of assessment upon owners of bank stock to make up capital impairment?"

In Minnesota there is no limit as applied to State banks, but there is no provision for assessment against stockholders of trust companies or savings banks for impairment of capital. In four States there is no limit. In nineteen States, 100 per cent. In Colorado, 200 per cent. No assessment is permitted under the law in Missouri, Virginia and Delaware. The writer is personally of the opinion that 100 per cent would be sufficient to protect the depositors.

Question nine was, "How often do you examine banks?" Eleven States, annually or oftener if deemed necessary; in twenty-eight States, semi-annually; in Texas, three times each year; in Utah, examines commercial banks twice and savings banks once. New Hampshire, the same; in Indiana the law requires savings institutions be examined once each year, all others semi-annually. Every State provides for additional examinations than those provided by law, if necessary.

For question ten, "What is the limit upon



More Banking

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loans above which constitutes an excess loan?" Six States limit loans to 20 per cent of capital and surplus. Three, 20 per cent of capital, surplus and undivided profits. One State, 15 per cent. Three, including Indiana, 20 per cent of capital; Indiana only, by rule of department. Ohio, 20 per cent of capital, except real estate mortgage loans, which must not exceed 60 per cent of appraised value of property. Kansas and Utah limit loans to 15 per cent of capital and surplus. Alabama, 10 per cent of capital, surplus and undivided profits, except cotton loans secured by warehouse receipts. Tennessee, 15 per cent of capital and surplus and undivided profits, or more with approval of board. Pennsylvania, 10 per

cent of capital and surplus as applied to industrial loans. Missouri, the loans are regulated by the size of the city or town.

In Iowa 20 per cent of capital and surplus, except farm mortgage loans, when 50 per cent of capital and surplus can be loaned upon first mortgages in Iowa. In Minnesota, 10 per cent of capital and surplus to officers, 15 per cent to others; 25 per cent upon real estate mortgages. Florida, no legal limit except to officers and directors, and this is from 10 to 40 per cent, depending upon security. In Nebraska the limit is equal to capital and surplus. New Mexico, 20 per cent of capital and surplus and 10 per cent of capital and surplus to directors. In Massachusetts limit of trust

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PHILADELPHIA, PA.

companies, whose capital is \$500,000, is 20 per cent of capital and surplus. Where the capital is less than \$500,000, 20 per cent of capital or 10 per cent of capital and surplus.

In North Carolina the limit of loans is based upon capital and surplus, being 25 per cent where capital is \$250,000 or less, and reduced to 10 per cent where capital exceeds \$750,000. In Virginia the limit is 25 per cent of capital and surplus, unless authorized by the board of directors, when there is no limit. Mississippi and Arizona, 25 per cent of capital and surplus. Wisconsin places a limit of 30 per cent of capital and surplus, but by a vote of two-thirds of the directors this may be increased to 50 per cent with approved security.

In Arkansas, 30 per cent is the limit secured by warehouse receipts, with 10 per cent margin. No limit to discount or commercial paper and bills of exchange. In Georgia, 10 per cent of capital and surplus, unsecured; 20 per cent secured by marketable collateral. In Delaware 10 per cent of capital and surplus unsecured, and 25 per cent if secured by collateral worth 15 per cent in excess of loans. In Maryland 20 per cent of capital and surplus, and 30 per cent of capital and surplus if authorized by a vote of two-thirds of the directors. Maine, the limit of loans is 25 per cent of capital and surplus, with provisions and exceptions. In New York 10 per cent of capital and surplus, unsecured; 25 per cent if secured, with exceptions for increases of secured loans in certain cities.

This great range would indicate that a legal limit, more conservative than many States show, would be a much safer basis to loan upon. Twenty per cent of capital and surplus, all loans to be approved by officers and directors, is indicated by the above replies, to be about the average of the various States.

Suggested Improvements

QUESTION eleven, "What suggestions have you regarding improvement in present law in your State?" elicited the following:

Eighteen States suggested improvements, and twenty-two States had no suggestions or were satisfied with their laws, but there is need of improvement in many laws, as shown by these reports of the different States.

Twenty-eight States reported in favor of a uniform law; ten States more or less favorable, but doubtful of the ability to secure such legislation. Two States not in favor. Claimed that there were too many legal problems to make possible a uniform law.

The replies indicate that commissioners in charge of banking operations in every State recognize the need for certain uniform laws governing the various State banking institutions. One of the problems presented to our National Association of Bank Supervisors is to prepare a law which can correct conditions existing in certain States which are shown to be inadvisable from the above reports, and select the best laws in each, working out a uniform system which could be applied to all.

State Banks

(Continued from page 256)

ment to the Federal Reserve Act permitting member banks to count as reserve the actual cash carried in their vaults, so more money could be released for loans to farmers and manufacturers. The matter was referred to the division's federal legislative committee.

Resolutions

C. B. HAZLEWOOD, chairman of the resolutions committee, reported resolutions of thanks to speakers and officers and approval of cooperative marketing on a sound basis.

Another resolution passed favored:

(1) The divorce of bank supervision from all other functions of State government, so commissions and banking superintendents may devote their entire attention to banking affairs.

(2) That the tenure of office of banking superintendents be not subject to political change.

(3) That enough be paid to attract the best men.

(4) That men chosen for the examination service have practical banking knowledge.

THE president was empowered to name a committee of five to gather information on why more State banks do not join the Federal Reserve System. The committee will be ready to appear with its findings before the Congressional committee appointed for the same investigation.

The following resolution certifying the high esteem in which Uncle George Allen is held was adopted:

Whereas, The State Bank Division since its organization at Kansas City in 1916 has been served as Secretary and Deputy Manager by George E. Allen, and

Whereas, After twenty-three years of continuous connection with the American Bankers Association he is retiring from active service to become an observer instead of a participant, carrying with him the well deserved respect and good will of our members, and the sincere friendship and affection of those who have been closely associated with him, the rich benefits of which heritage and the consciousness of duty well done should be to him most precious; therefore be it

Resolved, That we, the members of this division, who have enjoyed his conscientious labor, his marked sagacity, his entire devotion, part with him with great regret, and wish him the best that life can hold for one who so well deserves it. and be it further

Resolved, That this preamble and resolution be spread upon our minutes and that an engrossed copy be prepared, signed by the officers, and presented to Mr. Allen.

The following were elected officers of the division:

President, J. D. Phillips, president, Green Valley Bank, Green Valley, Ill.

Vice-president, W. C. Gordon, president, Farmers Savings Bank, Marshall, Mo.

Member of executive committee for the unexpired term of Wm. P. Sharer, deceased, Guy E. Bowerman, president, Arlington Heights State Bank, Los Angeles, Cal.

Three year term, C. S. McCain, vice-president, Bankers Trust Company, Little Rock, Ark.; M. H. Malott, president, Citizens Bank, Abilene, Kan.

The new president, Mr. Phillips, declared the principal policy of the incoming administration would be the promotion of orderly marketing.

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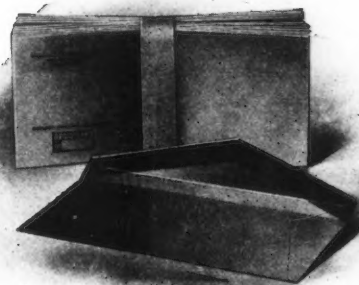
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The Condition of Business

THE outstanding events of the month causing a departure from the smooth flow of the current of business were the Japanese earthquake and the anthracite coal strike.

Of the effect of the earthquake on business in this country little can be said until the extent of the damage done and the magnitude and speed of rebuilding operations can be more accurately estimated. It is usually true in such events that early estimates of effects tend to run larger than actualities.

Effects of the Earthquake

SUGGESTED results of the earthquake to American business outside of the silk market are: first, the shipment of considerable amounts of foodstuffs and other supplies for immediate relief; second, the floating of loans to Japan to pay for rebuilding; third, the sale of structural steel and other building supplies, and fourth, the employment of part of American excess merchant shipping in moving supplies to Japan. To the extent that any of these possibilities are realized they would be influences towards the quickening of business activity. It hardly seems probable, however, that these movements will be large enough to affect materially the general current of business.

Another effect of a different type should be mentioned. Any such catastrophe to the business of a great commercial nation such as Japan involves implications in world trade of far-reaching importance. Different Japanese industries may lose or gain in importance. Commercial expansion may take new directions. The very rehousing of many Japanese business in earthquake-proof and otherwise modern structures will

probably accelerate the adoption of modern business methods on a large scale. These implications of the earthquake will be an interesting study as they gradually develop.

The Silk Market

THE most immediate and direct effect is in the silk market. Official trading in raw silk was immediately suspended and in the course of a week or two sales were reported at \$11 to \$12 a pound as compared with \$7.50 before the quake. The demand for finished silks was spirited and prices advanced about twenty-five per cent in the case of concerns which did not withdraw all offerings. A few days later the price situation was again placed in uncertainty by a report of a few sales in Japan only a few cents a pound higher than before the disaster. Trade journals have advanced the explanation that these sales were in fulfillment of contractual arrangements of some kind. After two suspensions of trading from Sept. 5 to 10 and from Sept. 10 to 18 the raw silk market was reopened here, and what little trading has taken place has been at about \$10 a pound.

On September 1 there were 25,500 bales of raw silk, or about one month's supply, in storage in New York City, the principal center for such storage. There was understood to be about another month's supply in transit and no severe shortage was anticipated before November 1. Ambassador Wood has reported that the Japanese silk mills are practically uninjured and although about 40,000 bales of silk were destroyed at Yokohama about 8,000 were saved. Later reports place the loss still smaller.

In the event of high silk prices this year some stimulation of activity in the woolen and cotton industries may result.

Coal Strike and Coal Supply

FOR the householder the coal strike, its settlement, and results have been almost as absorbing as news of the earthquake. With mining resumed after only three weeks of suspension, it seems clear that no serious anthracite shortage is to be anticipated this winter. There are no available figures for the precise amounts of stocks of anthracite coal, but production figures indicate that for the first five months of the coal year, which begins on April 1, the 1923 production was the largest since 1918. These figures are reported as follows by the Geological Survey:

Anthracite Production, April 1 to Sept. 1

1917	43,000,000 tons
1918	44,338,000 tons
1919	37,883,000 tons
1920	39,020,000 tons
1921	38,576,000 tons
1922	431,000 tons
1923	42,521,000 tons

It seems probable that less coal than usual was carried over from the previous coal year but to offset this factor the requirements for hard coal have been somewhat lessened by larger use of fuel oil and soft coal for heating residences and office buildings.

Coal Prices

THE supply of anthracite should be large enough to prevent the recurrence of last year's scarcity prices. There is temporarily some shortage of anthracite following the curtailment of production for three weeks and due also to the fact that not all of the miners went back to work when the strike was terminated. In fact the mines have recently been operating at considerably less than capacity. Dealers, however, feel confident that as normal operations are resumed there will be ample supplies of coal.

Some increases in prices, however, are almost sure to follow the wage increases brought about through the strike. In a letter to President Coolidge, Governor Pinchot said:

"The total legitimate increase in the price of coal, under the terms of the settlement, is about 60 cents per ton. Of this amount, not less than 10 cents should properly be taken up by all the operators, many of whom could absorb the whole of the 60 cents increase and still make abundant profits.

"In fairness, the remainder of the 60 cents should never reach the consumer. It is certain, however, that this amount and probably much more will be exacted from the consumers, unless public action is taken to prevent it."

Preliminary quotations for coal at the mines show an increase of 90 cents per ton, and another indication of the probable increase may be found in the fact that the Coal Merchants Association of New York City has fixed \$14.25 per ton as a fair price for anthracite in that city. This compares with a company price of from \$13.50 to \$14.00 last year. These prices, however, may be taken as minimum prices, as the wholesale prices by the higher cost mines are too high to permit as low retail prices.

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The fact that transportation facilities are in excellent condition this fall, as compared with a serious shortage of cars and locomotives a year ago, will greatly facilitate the movement of coal from the mine to the consumer.

Coal Wages and Other Wages

MORE serious than the immediate effect on coal prices of a 10 per cent increase in miners' wages is the question of the relation between recent wage increases and business operations. The following table shows the percentage changes in wages in a number of lines from 1914 and since 1920 as well:

Industry	1914	1920, High	Latest	1923, Per Cent Change Since 1920
Anthracite, contract miners...	100	177	195	+10.0
Building, skilled and unskilled...	100	195	205	+ 5.1
Street railway, platform men...	100	223	215	- 3.6
Unskilled labor, second district	100	234	216	- 7.7
Textile, all classes.....	100	269	234	-13.0
Steel, unskilled.....	100	253	220	-13.0
Steam railway, all classes....	100	272	234	-14.0
Packing, unskilled.....	100	290	232	-20.0
Farm labor, male.....	100	217	139	-35.9

The table indicates in the first place that miners' wages are not now exceptionally high when they are compared with the wages in other lines. It does, however, indicate a general increase in wages which places a burden upon industry, necessitating a degree of efficiency of operations never before realized. In recent weeks there have been fewer wage increases, as indicated by the following table prepared by the National Industrial Conference Board:

Month Ended	Reductions	Increases	Total Changes
Dec. 14.....	1	12	13
Jan. 14.....	1	23	24
Feb. 14.....	0	42	42
March 14.....	1	37	38
April 14.....	0	229	229
May 14.....	1	201	202
June 14.....	1	287	288
July 14.....	0	137	137
Aug. 14.....	0	77	77
Sept. 14.....	1	22	23

Continued Business Caution

THE present level of wage rates in their relation to the selling price of manufactured goods goes far to explain the present cautious attitude of business men. Since last spring there has been a distinct slowing down in activity. Production is smaller; wholesale trade is smaller; less forward business is being done; and this in spite of the fact that there has been little overstocking of goods, speculation, inflation of credit, or other evidences which usually precede a decrease in business activity. Business caution is the order of the day and this caution reflects in no small measure fear that with present wage levels any great expansion could only be made at the cost of profits. It takes tight figuring to make profits today.

Business Still Above Normal

THE cautious attitude of the day does not mean that business is not good. In fact it is distinctly better than any long average for the past and August and Septem-

ber showed better figures in a number of directions than those for July. Wholesale and retail trade, bank debits outside New York City, postal receipts, building permits, and the production of a number of commodities were larger in August than in July. On the other hand, exports and imports, building contracts awarded, and the production of pig iron, woolen goods, and wheat flour showed somewhat less favorable reports. Loadings of freight cars continued to break all previous records.

Prices Higher

PERHAPS the most significant indication of slightly more active business this fall is an upturn in the prices of a number of the basic commodities. Professor Irving Fisher's weekly index of commodity prices rose from 153 on August 4 to 156 on September 22. A large part of this increase was in farm products, cotton, wheat, corn, etc., due to the condition of the crops more than anything else. Any change, however, in the general average of prices is to be observed with care. No index reflects more quickly the changes in trade conditions.

Crop Estimates

THE principal change from a month ago shown by the September 10 crop report of the Department of Agriculture is a reduction in the probable yield of cotton from 11,500,000 bales to 10,800,000 bales. An increase in the corn crop was also indicated

to be more than three billion bushels. Other changes are shown in the following table:

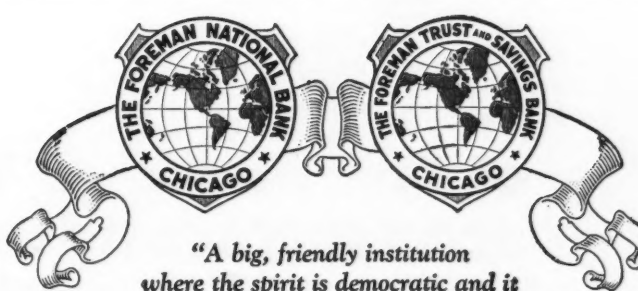
	1917-1921 Average	Dec., 1922, Estimate	In Millions Aug., 1923, Forecast	Sept., 1923, Forecast
Cotton, bales...	11.2	9.8	11.5	10.8
Wheat, total bu.	835	862	793	789
Winter wheat	590	586	568	568
Spring wheat	245	276	225	221
Corn, bushels...	2,931	2,891	2,982	3,076
Oats, bushels...	1,378	1,201	1,316	1,312
Barley, bushels	192	186	202	199
Rye, bushels...	70	96	65	64

The announcement of the smaller expected yield of cotton was followed by price increases which carried the quotation to 30 cents a pound as compared with 13 cents, the pre-war average. The difference represents, in addition to changes in the general price level, the gradual overrunning of practically the entire cotton area by the boll weevil.

The Texas cotton crop has matured unusually early this year and as a result the ginnings of cotton in that state up to September 1 were ten times as large as in all other states combined and a new record for ginnings was made for the country. Up to September 1 the report of the Bureau of the Census shows that 1,141,000 bales of the 1923 crop had been ginned, or about one-ninth of the entire crop.

13,000,000 Automobiles

A statement just issued by the Good Roads Bureau of the Department of Agriculture gives the number of automobiles registered in the United States on



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June 1 at just over 13,000,000, an increase of 764,000 since January. This is one car for every nine persons in the country. If the average car could carry five passengers half of the people in the country could ride at the same time.

One important consequence of this vast automobile population has been the rapid improvement of roads. The Good Roads Bureau reports that most of the automobile taxes now collected are spent on roads. A total of about \$176,000,000 was paid last year into state treasuries as automobile taxes. Of this amount \$140,000,000 is being used exclusively for road construction and maintenance.

This extension in good roads has not only given the farmer himself better communication with the city but has given him a new method for getting his crops to market. It is interesting to recall that in the early days of the automobile it was sometimes argued that it could not be used for taking produce to market because it jolted the goods too much.

Another result of the extended ownership of automobiles has been the enlarging of the areas which are available for commuting residence near large cities. The use of the automobile as a station vehicle has probably doubled the area within comfortable commuting distance of large cities.

Production in August totaled 349,000 cars

and trucks, and was 6.7 larger than July production. Production this year to date is now larger than for any previous entire year, and there is no marked indication of slackening. Only in the tire industry is slowing down apparent. There, stocks are large, production is being cut, and a price war is on.

Bank Loans Steady

THE general soundness of the business situation, in the face of some decline in activity in certain directions, is indicated in the course of bank loans. In spite of exceptionally active business there has been no increase in bank loans since spring. Some increase in loans made largely for commercial purposes has been offset by declines in loans on securities, accompanying the liquidation in the security market. The amount of credit extended by the Federal Reserve Banks is now practically as low as at any other time this year.

Merchant Credit

THE cost to farmers of merchant credit often runs as high as 50 per cent figured on an annual interest rate basis.

Last year the United States Department of Agriculture, in co-operation with the North Carolina Department of Agriculture, made surveys in selected areas in

that State of credit and insurance conditions. Eight hundred farmers were interviewed. Of these, 433 were relying to a greater or less extent on merchant credit. The average cost of such credit to the entire group of farmers was 26.6 per cent, figured on an annual interest basis.

When the white farmers were separated from the colored farmers, the average rate paid by the former was 21.8 per cent, while the average rate paid by the latter was 32.2 per cent. This difference is perhaps explained in part by reason of the smaller average amount of credit used by the colored farmers and the greater risk involved in advances to them, and in part perhaps to an inclination to take advantage of the less fortunate class.

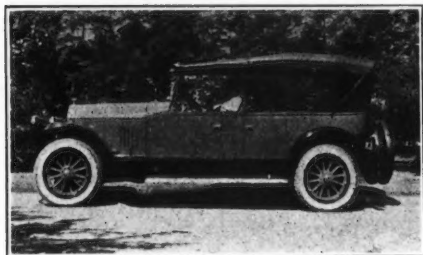
But the scattered investigations which have been made indicate that the farmers may be helped by demonstrating the losses they incur through the use of merchant credit.

In conferences arranged by the Agricultural Commission of the American Bankers Association, attention has been directed to the burden of mercantile credit which farmers are in many instances thoughtlessly carrying. Continued investigation and persistent publicity should result in awakening farmers to the waste of mercantile credit and the economy of bank credit.

2/3

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Why?



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Observance of this simple precaution will greatly reduce your loss through bad check operators.



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Protective Committee

American Bankers Association
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Orders for the Convention Proceedings

The report of the forty-ninth annual convention of the American Bankers Association given in this issue forms one of the important business books of the year.

From a perusal of this report policies may be tested and improved, and courses shaped for future action, since at this convention able speakers and authorities discuss every department and every angle of banking.

The discussions of those larger questions of business affecting all enterprise are of such importance as to be a necessity to the careful student of economics.

If additional copies of the October JOURNAL are desired it is suggested that they be ordered promptly as the edition is limited and when the present supply is exhausted no more will be available.

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Its dividends and interest from stock and bonds of associated and other companies added to its other earnings, enable the American Telephone & Telegraph Company safely to pay 9% dividends on over \$700,000,000 stock outstanding. This stock can today be bought in the open market to yield about 7%.

Full information of this Seven-per-cent-and-Safety Investment will be sent on request.



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Save at the Shop

(Continued from page 251)

for no other reason than that they will then make it easy for our salesmen.

The selling campaign among the employees must be well planned and vigorous, and the bank must follow-up until the men get the habit. Once fairly started, the workmen will continue without stimulation.

In all contacts, personally or by pamphlet, by letter or advertisement, try to talk to the men in their own language.

As to progress, the Union Trust Co. now has close to 10,000 new accounts resulting from the Save at the Shop Plan, and they are increasing at the rate of nearly 1000 a month.

An analysis of the results made last July in sixty factories, taken at random from different sections of the city, gives some interesting statistics, as follows:

Accounts secured immediately upon installation	3,031	(25 %)
Additional new accounts secured on subsequent solicitation.....	3,152	(26 %)
Banking with The Union Trust and not caring to use this plan	971	(8 %)
Banking with other banks and not caring to change.....	1,213	(10 %)
Will open later.....	1,454	(12 %)
Buying homes and unable to save now	667	(5 1/4 %)
Unable to save because of various reasons	1,576	(13 %)

Total available employees in 60 plants12,064

This shows that 51 per cent of the people talked to are availing themselves of the plan. A study of the savings habits of this same group showed an average deposit of \$6.03 per man per month. The same analysis showed that on an average these workmen made nineteen deposits during the course of a year. On the basis of payments every other week, which is the usual plan, this would mean that these men on an average stuck to their original savings plan nineteen times out of a possible twenty-six, which indicates a very regular and consistent saving. The amount saved by the average workman has increased from an average of \$5.31 per month to \$6.03.

Broad-minded and far-sighted plant managers recognize the intangible, as well as the real, value of industrial savings in that the saver is the better and more stable employee. The general reaction and influence on the personnel of the plant organization is good. Better and more savers make for a more contented and happier people. Surely then, industrial savings is one way in which the bank may better serve the community in which it lives.

Walter W. Head, president of The Omaha National Bank and the Omaha Trust Company, has been elected a director of the Chicago & Northwestern Railroad. Mr. Head is the only director residing west of Chicago.

The First National Bank in Detroit has elected Walter L. Dunham vice-president. Mr. Dunham, who, for many years, was head of the Highland Park State Bank, retired to become senior vice-president of the Dime Savings Bank, from which he recently resigned.

Forecasting German capitulation in the Ruhr, the Irving Bank-Columbia Trust Company's Mid-Month Review predicts stimulation in American businesses whose products will be in urgent demand in German factories, which in turn would imply the need of large recourse to our financial assistance.

The Committee Appointments

Committee on Federal Legislation and Federal Legislative Council excepted

Members of Council for One Year Appointed by the President

Charles W. Carey, president, First National Bank, Wichita, Kan.; Richard S. Hawes, vice-president, First National Bank, St. Louis, Mo.; Rudolf S. Hecht, president, Hibernia Bank & Trust Co., New Orleans, La.; Charles E. Mitchell, president, National City Bank, New York, N. Y.; Arthur Reynolds, president, Continental & Commercial National Bank, Chicago, Ill.

Administrative Committee

Walter W. Head, president, Omaha National Bank, Omaha, Neb., chairman; Charles H. Deppe, vice-president, Union Trust Co., Cincinnati, Ohio; Alexander Dunbar, vice-president, Bank of Pittsburgh N. A., Pittsburgh, Pa.; R. E. Harding, vice-president, Fort Worth National Bank, Fort Worth, Tex.; William E. Knox, president, Bowery Savings Bank, New York, N. Y.; J. D. Phillips, president, Green Valley Bank, Green Valley, Ill.; Thomas R. Preston, president, Hamilton National Bank, Chattanooga, Tenn.; J. H. Puelicher, president, Marshall & Ilsley Bank, Milwaukee, Wis.; Joseph B. Ramsey, president, First National Bank, Rocky Mount, N. C.; Sam Stephenson, president, First National Bank, Great Falls, Mont.; Oscar Wells, president, First National Bank, Birmingham, Ala.; Evans Woollen, president, Fletcher Savings & Trust Co., Indianapolis, Ind.

Finance Committee

William E. Knox, president, Bowery Savings Bank, New York, N. Y., chairman; W. Meade Addison, president, Planters National Bank, Richmond, Va.; Charles W. Carey, president, First National Bank, Wichita, Kan.; J. Elwood Cox, president, Commercial National Bank, High Point, N. C.; Harry J. Haas, vice-president, First National Bank, Philadelphia, Pa.; Jacob H. Herzog, vice-president, National Commercial Bank & Trust Co., Albany, N. Y.; J. J. Jamieson, cashier, First National Bank, Shullsburg, Wis.; H. H. Sanger, vice-president, National Bank of Commerce, Detroit, Mich.; Oscar Wells, president, First National Bank, Birmingham, Ala.

Agricultural Commission

Burton M. Smith, president, Bank of North Lake, North Lake, Wis., chairman; J. Elwood Cox, president, Commercial National Bank, High Point, N. C.; P. B. Doty, president, First National Bank, Beaumont, Tex.; Fred A. Irish, vice-president, First National Bank, Fargo, N. D.; Charles B. Lewis, president, Fourth National Bank, Macon, Ga.; R. F. McNally, vice-president & Cashier National Bank of Commerce, St. Louis, Mo.; John T. Manson, president, First National Bank, New Haven, Conn.; C. D. Rorer, president, Bank of Commerce, Eugene, Ore.; R. D. Sneath, president, Commercial National Bank, Tiffin, Ohio; S. G. H. Turner, president, Second National Bank, Elmira, N. Y.; F. J. Wikoff, president,

Tradesmen's National Bank, Oklahoma City, Okla.; Frank A. Zimmerman, vice-president and treasurer, Chambersburg Trust Co., Chambersburg, Pa.; D. H. Otis, First National Bank Building, Madison, Wis., director.

Commerce and Marine Commission

Fred I. Kent, vice-president, Bankers Trust Co., New York, N. Y., chairman; M. E. Ailes, president, Riggs National Bank, Washington; E. H. Furrow, vice-president, Merchants National Bank, Cedar Rapids, Iowa; Earl S. Gwin, president, Lincoln Bank & Trust Co., Louisville, Ky.; J. R. Kraus, vice-president and executive manager, The Union Trust Co., Cleveland, Ohio; John G. Lonsdale, president, National Bank of Commerce, St. Louis, Mo.; John McHugh, president, Mechanics & Metals National Bank, New York, N. Y.; Robert F. Maddox, president, Atlanta National Bank, Atlanta, Ga.; David H. Moss, vice-president, First National Bank, Seattle, Wash.; Lewis E. Pierson, chairman of board, Irving Bank-Columbia Trust Co., New York, N. Y.; Charles H. Sabin, chairman of board, Guaranty Trust Co., New York, N. Y.; Lewis L. Strauss, Kuhn, Loeb & Co., New York, N. Y., secretary to the commission; John R. Washburn, vice-president, Continental & Commercial National Bank, Chicago, Ill.; F. O. Watts, president, First National Bank, St. Louis, Mo.; Daniel G. Wing, president, First National Bank, Boston, Mass.; D. B. Bunim, 110 East Forty-second Street, New York, N. Y., assistant secretary.

Economic Policy Commission

M. A. Traylor, president, First Trust & Savings Bank, Chicago, Ill., chairman; Paul M. Warburg, chairman of board, International Acceptance Bank, New York, N. Y., vice-chairman; A. E. Adams, president, Dollar Savings & Trust Co., Youngstown, Ohio; Stephen Baker, president, Bank of the Manhattan Co., New York, N. Y.; Richard S. Hawes, vice-president, First National Bank, St. Louis, Mo.; Craig B. Hazlewood, vice-president, Union Trust Co., Chicago, Ill.; R. S. Hecht, president, Hibernia Bank & Trust Co., New Orleans, La.; Charles A. Hinsch, president, Fifth-Third National Bank, Cincinnati, Ohio; Walter S. McLucas, president, Commerce Trust Co., Kansas City, Mo.; George E. Roberts, vice-president, National City Bank, New York, N. Y.; H. M. Robinson, president, First National Bank, Los Angeles, Cal.; John W. Staley, president, Peoples State Bank, Detroit, Mich.; Walter Lichtenstein, executive secretary, The First National Bank, Chicago, Ill., secretary.

Banking and Currency Committee of the Economic Policy Commission

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Third National Bank, Cincinnati, Ohio; Waldo Newcomer, president, National Exchange Bank, Baltimore, Md.; Evans Woollen, president, Fletcher Savings & Trust Co., Indianapolis, Ind.

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Committee on Canadian Relations

David R. Forgan, president, National City Bank of Chicago, Chicago, Ill., chairman; Frank W. Blair, president, Union Trust Co., Detroit, Mich.; E. C. McDougal, president, Marine Trust Co., Buffalo, N. Y.; W. D. Vincent, president, Old National Bank, Spokane, Wash.; Daniel G. Wing, president, First National Bank, Boston, Mass.

Committee on Conference—Agricultural Credits

P. J. Leeman, vice-president, First National Bank, Minneapolis, Minn., chairman; L. A. Andrew, president, Citizens Savings Bank, Ottumwa, Iowa; C. C. Colt, vice-president, First National Bank, Portland, Ore.; George A. Holderness, chairman of board, Farmers Banking & Trust Co., Tabor, N. C.; J. D. Phillips, president, Green Valley Bank, Green Valley, Ill.

Committee on Express Companies and Money Orders

John G. Lonsdale, president, National Bank of Commerce, St. Louis, Mo., chairman; John A. Cathcart, vice-president, First National Bank, Sidell, Ill.; J. H. Soliday, president, Franklin Savings Bank, Boston, Mass.

Committee on Library

Francis H. Sisson, vice-president, Guaranty Trust Co., New York, N. Y., chairman; F. J. Denison, vice-president, Hamilton National Bank, Denver, Colo.; Fred Stadtmuller, assistant cashier, Washoe County Bank, Reno, Nev.; Carter E. Talman, assistant cashier, American National Bank, Richmond, Va.

Committee on Membership

T. J. Hartman, president, Producers National Bank, Tulsa, Okla., chairman; Charles H. Bender, vice-president, Grand Rapids

National Bank, Grand Rapids, Mich.; Charles A. Faircloth, president, National City Bank, Tampa, Fla.; George H. Gutru, president, Newman Grove State Bank, Newman Grove, Neb.; Ben Johnson, president, Commercial National Bank, Sheveport, La.; H. Y. Lemon, vice-president, Commerce Trust Co., Kansas City, Mo.; Robert McEvilly, vice-president, First National Bank, Cincinnati, Ohio; C. Howard Marfield, vice-president and cashier, Seaboard National Bank, New York, N. Y.; Harry M. Rubey, president, Rubey National Bank, Golden, Colo.; Charles A. Smith, manager, Bank of Italy, Livermore, Cal.; Wirt Wright, president, National Stock Yards National Bank, National Stock Yards, Ill.; H. Lane Young, vice-president, Citizens & Southern Bank, Atlanta, Ga.

Ex-Officio Members: Thomas B. Paton, general counsel, 110 East Forty-second Street, New York, N. Y.; F. N. Shepherd, executive manager, 110 East Forty-second Street, New York, N. Y.

Committee on Non-Cash Items

J. W. Barton, vice-president, Metropolitan National Bank, Minneapolis, Minn., chairman; C. L. Brokaw, vice-president and cashier, Commercial National Bank, Kansas City, Kan.; D. M. Finnegan, president, First National Bank, Yankton, S. D.; Robert F. Maddox, president, Atlanta National Bank, Atlanta, Ga.; James Ringold, president, United States National Bank, Denver, Colo.

Committee on Public Education

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Committee on State Taxation

Ray Nyemaster, vice-president, American Commercial & Savings Bank, Davenport, Iowa, chairman; C. J. Kirschner, vice-president, Markle Banking & Trust Co., Hazleton, Pa.; F. D. Stalnaker, president, Indiana National Bank, Indianapolis, Ind.; Robert R. Ward, president, Benton State Bank, Benton, Ill.; D. S. Wolfinger, president, City Guaranty Bank, Hobart, Okla.

Special Committee on Taxation

Oliver C. Fuller, president, First Wisconsin National Bank, Milwaukee, Wis., chairman; Charles P. Blinn, Jr., vice-president, Philadelphia National Bank, Philadelphia, Pa.; Morris F. Frey, assistant treasurer, Guaranty Trust Co., New York, N. Y.; C. H. McNider, president, First National Bank, Mason City, Iowa; Edgar L. Mattson, vice-president, Midland National Bank, Minneapolis, Minn.; Elmer A. Onthank, president, Safety Fund National Bank, Fitchburg, Mass.; William C. White, president,

Merchants & Illinois National Bank, Peoria, Ill.

Fiftieth Anniversary Committee

Lewis E. Pierson, chairman of board, Irving Bank-Columbia Trust Co., New York, N. Y., chairman; Lyman J. Gage, Point Loma, Cal.; Myron T. Herrick, United States Ambassador to France, Paris; Thomas B. McAdams, vice-president, Merchants National Bank, Richmond, Va.; Logan C. Murray, commercial executive, Harriman National Bank, N. Y.; George M. Reynolds, chairman of board, Continental & Commercial National Bank, Chicago, Ill.; E. F. Swinney, president, First National Bank, Kansas City, Mo.

Insurance Committee

W. F. Keyser, secretary, Missouri Bankers Association, Sedalia, Mo., chairman; M. A. Graettinger, secretary, Illinois Bankers Association, Chicago, Ill.; William B. Hughes, secretary, Nebraska Bankers Association, Omaha, Neb.; F. F. Johnson, president, Boise City National Bank, Boise, Idaho; Robert McEvilly, vice-president, First National Bank, Cincinnati, Ohio; T. B. Paton, general counsel, 110 East Forty-second Street, New York, N. Y., advisory member; L. W. Gammon, 110 East Forty-second Street, New York, N. Y., secretary.

Protective Committee

This committee is composed of five members, and their names are not made public.

Committee on Branch Banking

Grant McPherrin, president Central State Bank, Des Moines, Iowa, chairman; M. Plin Beebe, president, Bank of Ipswich, Ipswich, S. D.; Charles W. Carey, president, First National Bank, Wichita, Kan.; F. T. Hodgdon, cashier, Farmers & Merchants Bank, Hannibal, Mo.; C. E. Hoyt, secretary-treasurer, South Norwalk Trust Co., South Norwalk, Conn.; H. A. McCauley, president, Sapulpa State Bank, Sapulpa, Okla.; William J. Rathje, president, Mid-City Trust & Savings Bank, Chicago, Ill.

Committee on State Legislation

W. D. Longyear, vice-president, Security Trust & Savings Bank, Los Angeles, Cal., chairman. V. T. Barker, president, Home Savings Bank, Kalamazoo, Mich.; R. R. Calkins, vice-president, American National Bank, St. Joseph, Mo. F. J. Denison, vice-president, Hamilton National Bank, Denver, Colo. M. R. Denver, president, Clinton County National Bank, Wilmington, Ohio. Walter P. Gardner, vice-president, N. J. Title Guarantee & Trust Co., Jersey City, N. J. Chas. S. Hichborn, president, First National Granite Bank, Augusta, Me. H. C. Lucas, president, Yakima Trust Co., Yakima, Wash. E. W. Miller, president, Commercial National Bank, Waterloo, Iowa. Chas. L. Schenck, vice-president, The Peoples Trust Co., Brooklyn, N. Y. Harry Wentzy, president, Security Savings Bank, Rapid City, S. D. Moorhead Wright, president, Union & Mercantile Trust Co., Little Rock, Ark.

ex-officio:

(Chairmen of the Committees on State Legislation of the four Divisions of the Association.)

State Legislative Council

W. D. Longyear, vice-president, Security Trust & Savings Bank, Los Angeles, chairman.

State Chairmen of State Legislative Council are as follows: Alabama—Oscar Wells, president, First National Bank, Birmingham. Arizona—G. H. Sawyer, vice-president, Southern Arizona Bank & Trust Trust Co., Tucson. Arkansas—Moorhead Wright, president, Union Trust Co., Little Rock. California—F. J. Belcher, Jr., president, First National Bank, San Diego. Colorado—H. M. Rubey, president, Rubey National Bank, Golden. Connecticut—Chas. E. Hoyt, secretary-treasurer, So. Norwalk Trust Co., So. Norwalk. Delaware—Geo. H. Hall, president, Milford Trust Co., Milford. District of Columbia—Joshua Evans, Jr., vice-president, Riggs National Bank, Washington. Florida—Chas. A. Faircloth, president, National City Bank, Tampa. Georgia—H. Lane Young, vice-president, Citizens & Southern Bank, Atlanta. Idaho—F. F. Johnson, president, Boise City National Bank, Boise. Illinois—John A. Cathcart, vice-president First National Bank, Sidell. Indiana—Frank D. Stalnaker, president, Indiana National Bank, Indianapolis. Iowa—E. W. Miller, president, Commercial National Bank, Waterloo, Iowa. Kansas—Will Wayman, president, Emporia State Bank, Emporia. Kentucky—Max B. Nahm, vice-president, Citizens National Bank, Bowling Green. Louisiana—Ben Johnson, president, Commercial National Bank, Shreveport. Maine—Chas. S. Hichborn, president, First National Granite Bank, Augusta. Maryland—Heyward E. Boyce, president, Drovers & Mechanics National Bank, Baltimore. Massachusetts—J. H. Soliday, president, Franklin Savings Bank, Boston. Michigan—V. T. Barker, president, Home Savings Bank, Kalamazoo. Minnesota—C. H. Draper, president, First National Bank, Wells. Mississippi—Geo. Williamson, vice-president, First National Bank, Vicksburg. Missouri—H. Y. Lemon, vice-president, Commerce Trust Co., Kansas City. Montana—Sam Stephenson, president, First National Bank, Great Falls. Nebraska—W. A. Taylor, vice-president, Franklin County Bank, Hildreth. Nevada—Fred Stadtmuller, assistant cashier, Washoe County Bank, Reno. New Hampshire—H. L. Alexander, cashier, Mechanics National Bank, Concord. New Jersey—Walter P. Gardner, vice-president, New Jersey Title Guarantee & Trust Co., Jersey City. New Mexico—D. T. Hoskins, chairman of board, First National Bank, Las Vegas. New York—Chas. L. Schenck, vice-president, The Peoples Trust Co., Brooklyn. North Carolina—Joseph B. Ramsey, president, First National Bank, Rocky Mount. North Dakota—James J. Early, president, Bank of Valley City, Valley City. Ohio—M. R. Denver, president, Clinton County National Bank, Wilmington. Oklahoma—D. N. Fink, president, Commercial National Bank, Muskogee. Oregon—C. C. Colt, vice-president, First National Bank, Portland. Pennsylvania—Geo. D. Edward, vice-president, Commonwealth Trust Co., Pittsburgh. Rhode Island—Florrison W. Howe, vice-president, Industrial Trust Co., Providence. South Carolina—H. W.

Fraser, president, Peoples Bank, Georgetown. South Dakota—D. M. Finnegan, president, First National Bank, Yankton. Tennessee—A. R. Dodson, cashier, Merchants State Bank, Humboldt. Texas—W. W. Woodson, president, First National Bank, Waco. Utah—Chas. H. Barton, president, National Bank of Commerce, Ogden. Vermont—Levi H. Bixby, cashier, Montpelier National Bank, Montpelier. Virginia—E. B. Spencer, president, National Exchange Bank, Roanoke. Washington—H. C. Lucas, president, Yakima Trust Co., Yakima. West Virginia—O. Jay Fleming, vice-president and cashier, First

National Bank, Grafton. Wisconsin—E. R. Estberg, president, Waukesha National Bank, Waukesha. Wyoming—Sumner Miller, cashier, Pine Bluffs State Bank, Pine Bluffs.

Committee Discontinued

The Executive Council adopted the following resolution:

Whereas, the Supreme Court of the United States in its recent decisions has completely upheld the point of view in regard to par collections, to substantiate which the so-called Committee of Five was originally appointed, and

Whereas, therefore, in future the Federal Reserve Board in its rulings will be compelled to follow the decision of the Supreme Court of the United States in regard to par collections,

Therefore, be it Resolved, that the Committee of Five, having completed the task for which it was appointed successfully, be hereby discontinued and the thanks of the executive council of the association be extended to the members of this Committee of Five who have labored so faithfully to bring about an equitable solution of the question of par collections.

Entertainment Features

THERE was ample entertainment for the bankers, their wives and daughters during the convention. There were dinners, yachting parties, a golf tournament, concerts, receptions and the grand ball with a bathers' revue as a feature, on Young's Million-Dollar Pier.

The huge auditorium was tinted with colored lights for the grand ball which was preceded by the revue. Bathing beauties, attired in beautiful costumes, representing local banks, passed down from the stage to the dancing floor before the five bankers who sat as judges. One pretty girl, adding diplomacy to beauty, attempted to walk off

with first prize by kissing one of the judges. She got so much applause that when she was recalled later in the elimination test, she kissed all the judges! One of the judges sensing what was coming, put his head down and appeared to be figuring discounts, but without avail.

But hard-headed bankers are hard-headed bankers—this girl did not get the prize after all. Two girls tied for the \$20 gold piece and both received prizes.

For the ladies, there was a reception at Haddon Hall, Tuesday, to meet Governor George S. Silzer of New Jersey and Mrs. Silzer. It was well attended. The ladies

were also entertained Monday with a yachting party by women of the Atlantic City Yacht Club.

A reception and dance on the Steel Pier, for officers and officers-elect of the Association was held Wednesday. On the evening of the same day there was a dinner to presidents and secretaries of the State Bankers Associations and incoming Association State vice-presidents, at the Traymore. President Head presided. Many short speeches were made. The dinner was characterized by interest shown in the Association's work, vigor and life of the speakers and the marked readiness of bankers to cooperate in the solution of common problems.

Louisiana Salt Industry

THE Louisiana salt mines at present are confined to certain islands along the southwest coast of the States, about 120 miles from New Orleans, says a bulletin issued by the Hibernia Bank & Trust Company. These mines are recognized as the greatest salt mines in the Western Hemisphere and are practically limitless in extent, borings having been made as far down as 2000 feet without reaching the bottom. The principal mines are located on Weeks, Avery and Jefferson Islands in the parish of Iberia and are worked at a depth of from 600 to 750 feet.

The salt is blasted direct from the walls of the mines and loaded by an electric shovel into electric cars which carry it to the bottom of the shaft. Here the salt is first crushed, and then lifted to the mill, where it is milled, screened and packed. These mines require no scaffolding to support the roof, there being enough rock salt left in the pillars between the chambers for this purpose. The mines are electrically lighted and the walls so dry that one might strike a match on them—a condition that is unique in the mining history of the world.

Salt is one of the cheapest commodities on the market today. The freight charges in many instances costing more than the salt itself. Few people outside of the salt industry realize the large extent to which salt is utilized, and much to the surprise of

the general public the household use of salt absorbs possibly the smallest quantity marketed. About 6,000,000 tons of salt are produced annually in the United States, this

product going into the manufacture of a large number of chemicals, plate glass, delicate optical instruments, glazed pottery, sewer pipe, and live stock feed.



Edgar Stark, Vice-President Union Savings Bank and Trust Co., Cincinnati, Ohio; Charles A. Hinsch, President Fifth-Third National Bank and Union Savings Bank and Trust Co. of Cincinnati, Ohio

Are Reserves Carried Against Float?

By DALE GRAHAM

Mississippi Valley Trust Company, Saint Louis

A MOST perplexing problem arises from the Federal Reserve Board's formula for the computation of reserves by member banks in accordance with Section 19 of the Federal Reserve Act. It is whether or not members carry legal reserves against fictitious commercial account balances created by giving immediate credit for items on other banks, such items being commonly known as "float."

For the accurate analysis of commercial accounts it is important that this point be decided correctly, as many customers have a sufficient daily total of outstanding items to make an appreciable difference in the loanable funds if the reserves deducted are calculated on the net instead of the gross book balances.

The question admits of no definite general answer. In a large number of cases the answer is "yes, reserves are carried against fictitious balances." In others, it will depend upon the conclusion the bank wishes to draw from the facts.

Section 19 of the Federal Reserve Act provides that "In estimating the reserves required by this Act, the net balance of amounts due to and from other banks shall be taken as a basis for ascertaining the deposits against which reserves shall be determined."

A clear understanding of the subject may come only from a study of the official formula prescribed by the Federal Reserve Board for the computation of reserves. The partial reproductions shown in Figures 1 and 2 illustrate the demand deposit calculations, which embrace commercial deposits and balances "due to" and "due from" banks. It is in the working out of these "due to" and "due from" bank totals that the answer to the question lies.

Figure 1 illustrates a bank with \$2,000,000 of commercial (Item 1) and \$500,000 of bank deposits (Item 2.) Let us assume that of the \$2,000,000 of commercial deposits, \$150,000 represents uncollected checks for which immediate credit has been given, or, conversely, that the transit account with the Federal Reserve Bank (Item 7) and exchanges for the clearing house (Item 8) have entirely originated from commercial depositors. This will mean that both the \$500,000 of bank deposits and the \$300,000 carried with correspondents (Item 6) are net cash balances free from float. To simplify the example, let us omit the comparatively unimportant items, such as cashier's check, certified checks, etc.

In the calculation of Figure 1 we see that the \$450,000, aggregate "due from banks," subtracts very easily from the \$500,000 "due to banks," and that reserves are carried only on \$50,000 of the \$500,000 of bank deposits.

FORMULA FOR CALCULATING DEMAND AND TIME DEPOSITS ON WHICH MEMBER BANKS ARE REQUIRED TO CARRY RESERVE.

DEMAND DEPOSITS.

1. Deposits (including dividends unpaid), other than United States Government and bank deposits, payable within thirty days.....	\$ 2,000,000
2. Balances due to all banks other than Federal Reserve Banks *.....	\$ 500,000
3. Balance due to Federal Reserve Bank—Deferred credits.....	\$
4. Cashier's, Secretary's, or Treasurer's checks on own Bank outstanding.....	\$
5. Certified checks outstanding.....	\$
TOTAL DUE TO BANKS (Items 2, 3, 4 and 5).....	\$ 500,000
Less:	
6. Balances due from banks other than Federal Reserve Bank and foreign banks.....	\$ 300,000
7. Items with Federal Reserve Bank in process of collection.....	\$ 100,000
8. Exchanges for clearing house.....	\$ 50,000
9. Checks on other banks in same place.....	\$
TOTAL DEDUCTIONS FROM BANK DEPOSITS (Items 6, 7, 8 and 9).....	\$ 450,000
10. Net Balance due to banks**.....	\$ 50,000
11. TOTAL DEMAND DEPOSITS (Items 1 and 10).....	\$ 2,050,000

Fig. 1

FORMULA FOR CALCULATING DEMAND AND TIME DEPOSITS ON WHICH MEMBER BANKS ARE REQUIRED TO CARRY RESERVE.

DEMAND DEPOSITS.

1. Deposits (including dividends unpaid), other than United States Government and bank deposits, payable within thirty days.....	\$ 2,000,000
2. Balances due to all banks other than Federal Reserve Banks *.....	\$ NONE
3. Balance due to Federal Reserve Bank—Deferred credits.....	\$
4. Cashier's, Secretary's, or Treasurer's checks on own Bank outstanding.....	\$
5. Certified checks outstanding.....	\$
TOTAL DUE TO BANKS (Items 2, 3, 4 and 5).....	\$ NONE
Less:	
6. Balances due from banks other than Federal Reserve Bank and foreign banks.....	\$ 300,000
7. Items with Federal Reserve Bank in process of collection.....	\$ 100,000
8. Exchanges for clearing house.....	\$ 50,000
9. Checks on other banks in same place.....	\$
TOTAL DEDUCTIONS FROM BANK DEPOSITS (Items 6, 7, 8 and 9).....	\$ 450,000
10. Net Balance due to banks**.....	\$ NONE
11. TOTAL DEMAND DEPOSITS (Items 1 and 10).....	\$ 2,000,000

TIME DEPOSITS.

Fig. 2

In the language of the street, the rule is that on every dollar of bank deposits the institution can *match* with another dollar of balances with correspondents or checks on other institutions ("due from banks") no legal reserve need be carried.

Let us try another example: Figure 2 represents a bank with identically the same figures except that the \$500,000 of bank deposits (Item 2) is omitted. But the instructions accompanying the official formula supplied by Federal Reserve banks state that "should the aggregate 'due from banks' (Items 6, 7, 8, and 9) exceed the aggregate 'due to banks' (Items 2, 3, 4, and 5), both amounts must be omitted from the calculation." So, in this instance, there being no bank deposits, there can be no subtraction of the \$450,000 "due from banks." It may not be deducted from the \$2,000,000, and there-

by applied to reducing the reserves carried on commercial deposits. So we find another rule: No "due to banks"; no credit for float.

It is plain that in the latter case the bank *does* carry a reserve on its fictitious commercial deposits, and in analyzing its accounts should deduct reserves as computed on gross balances. While it is not brought out in the accompanying illustrations, it should be said in passing that reserves never are carried against fictitious bank deposits.

But the solution to the case of the bank in the first example is far from easy. While it must be admitted that the Federal Reserve System definitely sets off float against bank deposits without regard to its origination, yet it hardly can be conceded that bank accounts should go perhaps scot-free from legal reserve requirements simply because the institution happens to have as an offset

a large volume of float from commercial depositors. On the other hand, it may be said for the bank accounts that without them the commercial accounts could receive no credit whatever for their float.

So it indeed is a perplexing problem which class of deposits is entitled to the credit—whether actual cash deposits of banks shall be partly or wholly free from reserve obligations, or whether it shall be said that no legal reserve is carried on fictitious book balances of commercial customers. Perhaps it is most equitable to decide for the commercial accounts—to say that credit shall be given the class of deposits which originates the float.

But the unfortunate institution that has no bank deposits needn't worry about that. Without question, it carries reserves against float.

Limitation of National Bank Branches

IN a hearing in Washington before the Joint Congressional Committee appointed to ascertain why more banks are not members of the Federal Reserve System, Henry M. Dawes, Comptroller of the Currency—interpreting an opinion rendered to him by Attorney General Daugherty—declared national banks' branches cannot conduct a general banking business. Mr. Dawes held that such branches could not exceed the functions of the tellers' window, and added:

"The relations of the national bank to operations in branch banking have been the subject of a very widespread misunderstanding. In order that the situation might be clarified and defined, the present Comptroller requested an opinion of the Attorney General which has just been handed down.

"A previous opinion given by Attorney General Wickersham was to the general effect that a national bank might not *de novo*, establish a branch bank. The present opinion from the Attorney General makes it clear that none of the major or important incidental functions of a national bank may be exercised beyond the limits of the city in which the parent institution is located. This opinion also indicates that certain functions of a national bank, incident to the banking business, may be carried on at fixed points within the city limits and outside of the four walls of the banking house.

"This opinion is not inconsistent with that of Attorney General Wickersham, and the practical application which will be made of it will be that certain national banks will be permitted to establish what are virtually tellers' windows in places more or less removed from the banks, but in the city limits, where they may take deposits and cash checks. The discretionary powers which are inherent in such transactions as making loans, purchasing securities and similar activities will not be permitted in such offices located at a distance from the parent institution.

"It seems to me unnecessary at the pres-

ent time to do more than make the above bare reference to the legal situation. The force of the opinion of the Attorney General just handed down would as a practical matter remove the national banks from the branch bank controversy, since a national bank cannot engage in the banking business outside of the city limits of its location, and inside of the city limits it may under certain conditions perform only limited functions at a distance from the banking house.

"Authorization to national banks to establish such additional offices will be of great advantage in certain localities where the State banks are already extending their services in this manner. In such cities as New York, Cleveland and Detroit, the national banks will be able to reach their customers in the matter of making deposits and cashing checks in the same way that their competitors do in this single important aspect of the banking business.

"At the present time in the city of Cleveland there are only three national banks, and in the city of Detroit only three. This will enable the national banking system to really enter these two great cities, from which it has previously been excluded, perhaps not on equal terms, but at least on a living basis.

"It is my opinion that the major question of branch banking is not in any way affected by this differentiation of the functions of the tellers' windows except to mitigate the handicaps that at present exist in some great cities and that it cannot by any possibility be used for the extension of the principle of branch banking. The banking arrangements of any individual city are distinctly a matter for local determination. When the extension of branches passes the city lines and becomes statewide, a condition such as I have previously described is created under which the whole balance of the Federal Reserve and unit banking system of a larger section of the country is disturbed and the fire will, in my opinion, very quickly jump over State lines.

"If the branch banking movement cannot use the Federal Reserve System as an instrumentality for its extension, it will probably never become a great menace, and with the national banks extended a reasonable measure of facilities for self-protection within the limits of the municipalities in which they operate the national banking system and the Federal Reserve System can be maintained in their present status."

Mr. Dawes gave as his principal conclusions:

"First, that the development of branch banking, unless curbed, will mean the destruction of the national banks, and thereby the destruction of the Federal Reserve System and the substitution of a privately controlled reserve system for a governmental system of coordination.

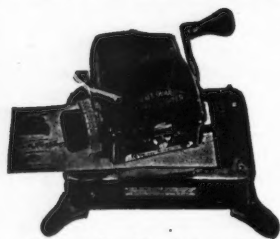
"Second, that if the Federal Reserve Board has not the power to refuse the admission of institutions engaged in general branch banking, and to curb the further extension of this principle by member banks, it should be given the power.

"Third, that the abolition of the office of the Comptroller of the Currency would destroy the independent status of the national banking system in governmental finance and that the real issue presented by this movement is the abolition of the national banking system, as it cannot be subjected to the supervisory regulation of an interested creditor. If the national banks are not entitled to independent supervision they should not be supervised at all."

France's Wheat Crop

France's wheat crop (including supplies available from French countries) is estimated to be more than sufficient for next year. According to the Bankers Trust Company's French Information Service, the actual yield of France's wheat acreage this year is 290,000,000 bushels. In addition about 14,700,000 bushels are available from French colonies. The total wheat requirements of France are roughly 293,000,000 bushels annually.

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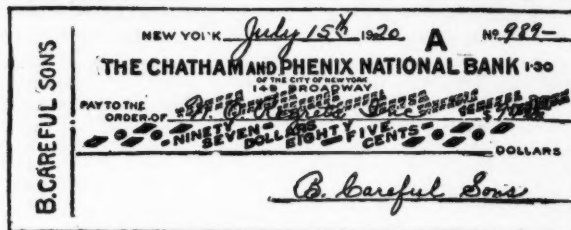


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